



Two sides of the same coin

Balancing quality and finance to deliver greater value

Key points

- Given the current environment, it is more important than ever for NHS leaders to focus on balancing quality and finance in their organisations to deliver value.
- Collaboration between clinical, financial and management colleagues is needed to do this, as well as strong engagement of patients and staff.
- The whole healthcare system should be aligned with this value-driven agenda and regulation and oversight needs to support it.
- More honesty with the public about value across public services will help them to understand and engage with the tough decisions that are required.

Introduction

A crucial issue facing the NHS today is how the health service can balance the imperative to provide better care with the need to reduce costs overall.

This briefing brings together the views of NHS leaders and highlights the key messages arising from a roundtable held at the end of last year. These messages will be of interest to other NHS leaders who are tackling similar challenges, the national bodies and politicians supporting them in doing so, and members of the public who need to engage in this important debate.

The briefing was produced by a partnership of the **Academy of Medical Royal Colleges**, the **Faculty of Medical Leadership and Management**, the **Healthcare Financial Management Association** and the **NHS Confederation**.



Background

In November 2013, a small group of leaders from across the NHS came together at a roundtable event to discuss one of the important issues in healthcare today – how to balance quality and finance to deliver greater value. The event was a partnership between the Academy of Medical Royal Colleges, the Faculty of Medical Leadership and Management, the Healthcare Financial Management Association and the NHS Confederation. These four organisations brought together their representatives because they wanted to better understand the challenges NHS organisations face and highlight what the main barriers and enablers are to delivering better care and finding efficiency savings year on year.

Delegates included representatives from acute, community, mental health and primary care, as well as from commissioning and commissioning support organisations. There was a broadly even mix between clinical, financial and managerial delegates, which included chief executives, directors of finance and directors of medicine and nursing. In particular, this partnership, and the roundtable, reflects the importance of the wider debate taking place to bridge the gap that has existed between clinical, operational and finance colleagues. To deliver value, all must come together to solve collective challenges around the quality and cost of care.

Overall, this briefing has three main messages that should be considered and discussed further:

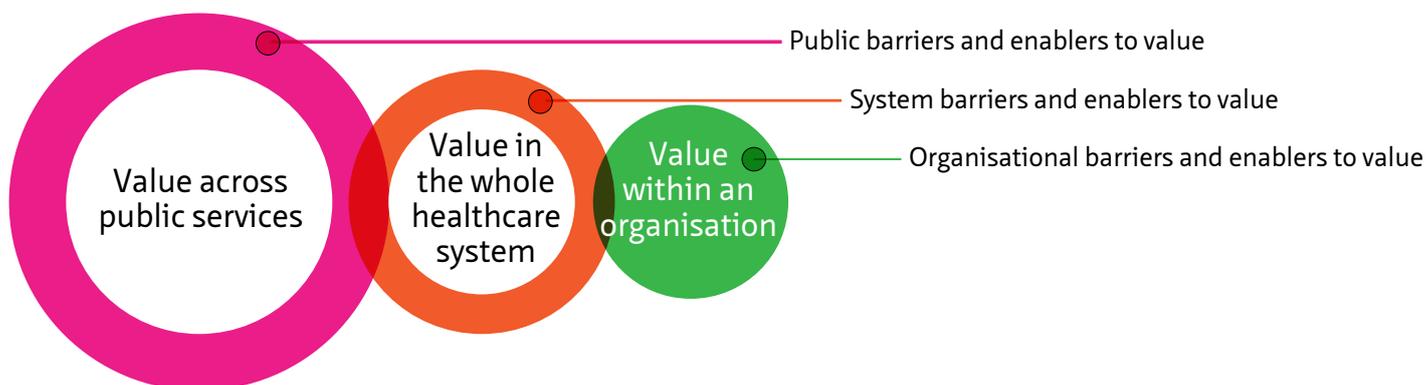
1. NHS organisations are clear that quality and finance are two sides of the same coin and they are working hard to balance these and deliver greater value
2. The wider healthcare system has a big impact on an individual organisation’s ability to deliver value and has the potential to reinforce a divide between quality and finance
3. Overall value in healthcare needs to be considered across public services and tough choices about quality and finance need to be part of a wider public debate about the NHS.

The briefing also highlights that NHS leaders are focused on the need to deliver greater value, but that there are clearly different elements to this concept. Figure 1 illustrates the three elements of value that were implied at the roundtable:

- value within an organisation
- value in the whole healthcare system
- value across public services.

Each element provides a different perspective on value, but they are not disconnected. Achieving the greatest value overall depends on aligning all three. This briefing describes in more detail what this requires and what the main barriers and enablers are for each element.

Figure 1. Barriers and enablers to value in healthcare



Value within an organisation

The central message from the discussion was clear – quality and finance in healthcare are two sides of the same coin. The NHS must continue to deliver better care each year, but this needs to be sustainable. In any healthcare organisation, the challenges that improving quality while managing finances pose are not independent from each other; they are closely linked. Achieving value within a healthcare organisation means focusing on how to deliver the best quality of care possible within the resources available to that organisation.

Much has been written, debated and put into practice to show that high-quality care costs less and improves outcomes. Our delegates were sure that placing a focus on quality, in all its various forms, should not cost organisations more money overall. The message to NHS trust boards therefore was: if you haven't already done so, now is the time to sign up to an agenda driven by quality. However, we should recognise that quality improvements alone may not deliver the cost savings most organisations need. In many cases the financial rewards can be a long way off or else reaped in another part of the system. However, by prioritising quality, organisations can focus on how to spend 95 per cent of their resources in the best way, rather than finding ways of saving 5 per cent.

“To consider costs without regard for quality is unthinkable; to consider quality without regard for costs is unsustainable.”

Clinical and financial relationships built on trust

We cannot overstate the importance of bringing clinical and financial colleagues closer together to increase value. Delegates agreed that knowing each other's business was critical to balancing quality and finance. Money can be a barrier to clinical improvement, especially in loss-making services, and concerns about quality may be used to make decisions without proper financial scrutiny. In actual fact, neither quality nor finance should trump the other, but rather each decision should balance both aspects. Board members take collective responsibility for the decisions of an organisation, not just the financial or clinical aspects in isolation, and this needs to be reflected in the broader approach to setting priorities across an NHS organisation.

Our discussions strongly indicate that there needs to be collaboration between clinical and financial colleagues based on trust, understanding and partnership at all levels. Taking collective responsibility for finance, quality and operational performance means finance directors trusting medical and nursing directors to develop cost-sensitive plans and identify potential savings, while clinicians need to work jointly with finance directors to create the right environment to make long-term plans that maintain and improve services.

Ensuring value with patients and staff

One important way that NHS leaders are able to assure themselves of greater value is by giving a strong voice to their patients and staff. Addressing complaints and responding to feedback is an important part of delivering value. Staff and patient surveys offer a reliable tool for monitoring underlying performance and measuring the quality of services.

Our delegates felt that quality is sector and patient specific, with clinical and patient experience having a different meaning in and influence on different services. Approaching quality initiatives individually can create the view that improvements driven by patients and staff will often only ever be cost neutral or increase costs. This perception can be tackled by bringing patients and staff into the decision-making process and empowering them to lead improvements that deliver greater value.

Think about value today, tomorrow and for the next five years

One particular concern is that organisations do not always properly plan to meet both the quality and finance challenge over the long term. Savings targets and cost improvement plans are often about balancing annual budgets and this can prolong underlying financial failure or increase the risks of failures in quality over time. To ensure sustainability, the challenge should be viewed over a longer timeframe and across a broader perspective, including all of the options for the right services to be delivered in the right places at the right time.

Overall, NHS leaders at our roundtable were confident that organisations shared this perspective and are rapidly developing this concept of value. However, an organisation’s efforts to get best value cannot be looked at in isolation from the system within which the organisation operates. The value that can be realised within an organisation is constrained by the barriers that need to be tackled at system level.

Organisational barriers and enablers to value	
Barrier	Enabler
Internal distrust	Willingness among professional colleagues to work together and to respect each other’s contribution to an agreed definition of value, enabled by good quality information on quality and costs.
Lack of direction	Strong leadership from clinicians and managers to establish a clear approach to quality and cost improvement within their organisation, with a focus on how services will remain sustainable over the long term.
Unresponsive culture	Common understanding of the service improvement needs of an organisation supported by a proactive and receptive culture to responding to complaints and feedback.

Value in the whole healthcare system

Not enough is being done at system level (either nationally or within local health economies) to create the conditions for maximising value by considering quality and finance as a single priority. All organisations exist as part of a wider system and as such are bound in many cases to the features of that system. Value in the whole system will normally mean trying to realise the best outcomes within the funding allocated to the whole system.

Outcomes are a fundamental part of delivering value. Professor Michael E. Porter’s work on value, as part of his and Thomas Lee’s strategy to save healthcare, highlights the importance of outcomes, specifically the full set of patient health outcomes over the care cycle.* The most effective way to deliver value is to establish a set of consistent outcomes nationally and allow organisations locally to find the most efficient and effective way of delivering them in each instance.

“You can trim a tree by cutting things year on year, starting for example with leaves and branches, but you will soon reach the trunk and find that the problem lies in the roots.”

* Porter ME and Lee TH (2013). *The strategy that will fix health care.*

What works well in one place might not work in another because the infrastructure supporting them is different and the ease of introducing new approaches may be difficult and the costs variable.

System leadership as a necessity, not a luxury

Local commissioners have a strong role to play in finding new approaches to improving outcomes. Empowering local communities to deliver better outcomes requires commissioners to work with, and coordinate, organisations in their system. This means strong system leadership from commissioners and providers to find ways to share benefits and risks, as well as overcoming the fact that savings for a commissioner do not always mean savings for a provider and vice-versa. Collaboration between clinical and financial professionals, as well as between professionals and patients, needs therefore to be much broader than just within organisations; they need to span the whole system.

The wider challenge of balancing the delivery of high-quality services for a population with the need for a system to be sustainable requires cross-organisational trust. Focusing on outcomes also requires a shift in how the system is currently set up. This shift is as much cultural as it is structural. The NHS needs to foster value-driven relationships as these are key to establishing a responsive and open system that is better placed to deliver the outcomes patients need.

Removing regulatory barriers to empower organisations

Regulation should provide a constructive challenge within this system but should not obstruct it. Participants in our roundtable felt that the challenge to balance quality and finance would be more difficult if the system of oversight and compliance is misaligned. Organisations may see improving quality as a way of meeting financial responsibilities and vice-versa, but concerns remain that, at the national level, bodies with regulatory, representative and advisory functions can reinforce a divide of 'quality' and 'finance'.

Specifically, despite clear statements from regulators that they recognise and understand the need for organisations to balance quality and finance, there is a sense that when their agendas are considered together there are mixed messages on the behaviours expected. Many organisations still feel they sometimes have to choose between being 'hit' for the quality or 'hit' for the finances. Most organisations have unitary boards that take collective responsibility for quality and finance with a focus on outcomes, but the regulatory regime can force boards into making a false distinction between quality and finance.

Monitor and the Care Quality Commission in particular will need to demonstrate that the behaviours they both require of licensed providers are reasonable and sufficiently empower organisations to respond to the needs of their patients. Furthermore, levers such as pricing, competition and procurement should be targeted at supporting the creation of local solutions and allowing services to be redesigned to suit new models of care that maximise value.

System barriers and enablers to value	
Barrier	Enabler
Working in isolation	System leadership that fosters and builds collaboration across organisations to deliver value and achieve outcomes, built on the sharing of risks and benefits.
Disempowering environment	National bodies that understand the burden they pose and aim not to prescribe how services should be delivered, but look to support and enable organisations to achieve the desired outcomes.
Misaligned funding mechanisms	Payment and funding systems that are better aligned to support sustainable quality improvements and do not act as a disincentive to system-wide solutions.

Value across public services

It is not sufficient to consider value in healthcare as pursued by individual organisations and systems. We need to look at achieving value across public services. No publicly-funded service exists in isolation from public services more generally and it is difficult to imagine a time when the NHS would not be under pressure to get the most out of the resources it receives. Public services have a duty to deliver value for money, but this does not necessarily mean providing cheap services nor meeting every single health need. Value across public services normally emphasises meeting the greatest overall need within what the public is willing to pay for them.

The public understands that NHS resources are predetermined by the Government each year. What is less understood is that demand for NHS care, as with most public services, is always likely to exceed what is affordable and is determined in the main by public behaviour and expectations. As such, the NHS is tasked with delivering the best possible care within the limited resources allocated to it, balancing demand with supply.

“What service do we want and are willing to pay for? Platinum, gold, silver or bronze?”

The NHS as a political football

This balance between rising demand and static or reduced funding cannot be maintained indefinitely and at some point either demand will need to stabilise or funding will need to increase. Many delegates believed that this point has, or will soon, be reached.

The NHS therefore finds itself trapped between patients who want more care and want that care to be better than ever and HM Treasury, nominally representing the taxpayer, which wants public spending constrained at a time of economic pressure. As such, the NHS can be a political football between those that want to emphasise the need to contain spending and those that want to place blame where patient expectations are not met, without identifying how those goals might be connected. We are calling for an open public discussion and agreement on the level of funding for the NHS and the quality and scope of services expected from that funding.

An open debate on quality and finance in the NHS

An open debate on quality and finance in the NHS would consider the views of patients, what they need and expect from their care and whether current resources allow for this. It would also include the views of taxpayers – all actual or potential patients – and determine how much they are willing to pay for a public healthcare system and whether that amount is sufficient to deliver the level of care needed.

This debate needs to happen now, both nationally and in more detail at a local level. If the NHS is balancing finance and quality as two sides of the same coin, the public needs to understand the tough decisions that are required to do so. As part of that, the NHS will continue to look at ways to be as efficient as possible, but with a particular focus on how to deliver the optimal outcomes for the resources provided.

Political candour about plans for the future

The notion of a protected NHS budget has created the impression that quality is therefore also being protected, yet this ignores the impact that growing demand is having. Politicians must be honest about the financial settlement in the NHS so it is clear to the public what can be realistically achieved with limited funds. It is right that politicians raise concerns on behalf of their constituents about how local health services are delivered, or how they might change. But these should be constructive and built on an understanding of the challenges local systems face.

Conclusions

No doubt, as part of this discussion, resistance to change will emerge – this is natural. Politicians are usually best placed to engage in a debate directly with the public and their involvement in the process strengthens the democratic mandate of healthcare to ensure that services reflect the aims of people and patients locally. The next general election offers a perfect opportunity for political parties of all colours to outline clearly their plans for NHS funding in the long term and what improvements in care can be made with this funding.

Public barriers and enablers to value	
Barrier	Enabler
Blame culture	Mature and open public discussion that looks to develop a common understanding of the challenges facing the NHS and shared ownership of the solutions.
Lack of public engagement	Energy and candour on both sides to have honest discussions with the public about how services should be run now and in the future, including the risks and benefits involved.
Resistance to change	Brave political leadership that engages on debates about changing services and looks to establish a culture of co-production, in which patients can work with clinicians and managers to improve services.

Academy of Medical Royal Colleges

If we address issues before circumstances force our hand, problems can become enablers for improvement and open up new opportunities. And if we actively recognise the intertwined nature of the cost and the quality of service delivery, we can much more effectively shape debate and action to focus on increasing and sustaining value to patients and carers. In *Changing care, improving quality*, the Academy, NHS Confederation and National Voices noted the requirement for all of us to face up to difficult questions about the demands we place on the system. We all bring our own concerns and worries to the issues, but these anxieties are better considered collectively rather than in isolation. By respecting and harnessing clinical, financial and managerial expertise we can avoid a routine or tribal response to budget constraints and instead challenge ourselves to think jointly and differently.

Faculty of Medical Leadership and Management

Most healthcare professionals are aware of the recent focus on the quality agenda, but may not fully appreciate how great the financial challenges are ahead, or how long they will last. There is a traditional thinking that decreasing finance will decrease quality. To face these challenges several things must be realised. There needs to be widespread appreciation that substandard care often costs more; the financial gap cannot be addressed alone by increasing quality in existing structures; there needs to be a structural redesign of the way health and social care is delivered; this needs to be supported by policy, a single outcomes framework and a financial structure that encourages collaboration and integration to increase quality and reduce variation. To facilitate this, good leadership, particularly clinical leadership, must be developed at all levels of the system.

Conclusions continued overleaf

Healthcare Financial Management Association

NHS finance professionals, and HFMA, are committed to delivering better quality healthcare through effective use of resources. The NHS is in a period of unprecedented financial constraint and its staff are under pressure to make financial savings in all areas. Therefore, NHS boards need to work in partnership to agree how to spend the resources available to best effect, rather than individual organisations making cost savings in isolation. High-quality healthcare, valued by patients and the public and achieved through transforming the way services are delivered, will lead to savings that are sustainable and recurrent. Our view is that every clinical decision is a financial decision. Finance professionals are working hard to engage their clinical colleagues to show them how they can best support service transformation and help them understand the finance implications of the clinical decisions they make.

NHS Confederation

There is now a compelling consensus about the need for change, but a debate about how to do so continues. It was said at the roundtable that the NHS shouldn't let the perfect get in the way of the good. For the NHS to continue to be good it does need to change, but just saying that doesn't make it so. Instead, we need to empower organisations to focus on delivering value locally and allow them to develop local partnerships within a sustainable environment and with a mandate from the public. For many, this will pose a risk, but the risk of standing still is too great to do anything less. The NHS Confederation will continue to work with national partners to support our members to deliver better value, in particular through our Decisions of Value project with the Academy of Medical Royal Colleges and our 2015 Challenge campaign with other strategic partners.

About the partners

ACADEMY OF
MEDICAL ROYAL
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Faculty of
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NHS CONFEDERATION

The **Academy of Medical Royal Colleges** comprises the 20 medical Royal Colleges and Faculties across the UK and Ireland whose presidents meet regularly to agree direction in common healthcare matters. For more information, please visit www.aomrc.org.uk

The **Faculty of Medical Leadership and Management** is a membership organisation that promotes the advancement of medical leadership, management and quality improvement at all stages of the medical career. For more information, please visit www.fmlm.ac.uk

The **Healthcare Financial Management Association** is the professional body for healthcare finance staff that sets and promotes the highest standards in financial management and governance in healthcare. For more information, please visit www.hfma.org.uk

The **NHS Confederation** is an independent membership body for all organisations that commission and provide NHS services; the only body that brings together and speaks on behalf of the whole of the NHS. For more information, please visit www.nhsconfed.org

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