

2009/10 Operating Framework and financial allocations for 2009/10 and 2010/11



NHS Chief Executives Conference, 8 December 2008

Context for 2009/10 Operating Framework

Operating Framework
and allocations

This is the second Operating Framework of the current 3-year CSR period and comes at an exciting but challenging time for the NHS

Past performance

The NHS has a strong track record of delivery over the past 18 months, meeting key targets for improving access and quality while turning a financial deficit into a healthy surplus

Future vision

The locally-led Next Stage Review process has established a clear vision for the future, based around putting quality at the heart of everything we do in the health service

Financial outlook

The recent Pre-Budget Report set out the need for the NHS to make substantial efficiency savings in 2010/11 and a much tighter position thereafter

So in 2009/10 we need to:

- **Maintain the momentum** and continue to deliver on key priorities
- Press ahead with implementation of the local NSR visions and **driving up quality**
- Invest for the long term and focus on improving **efficiency and value for money**

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National priorities for 2009/10

We need to build on our success in delivering the national priorities, which remain unchanged with no new national targets for 2009/10

Improving cleanliness and reducing infections – our success on MRSA is an immense achievement but we need to tackle remaining variation and poor performers

Improving access to primary and secondary care – building on our historic success on 18 weeks, we need to further reduce waits and minimise variation

Keeping adults and children well, improving their health and reducing health inequalities – in particular, we need to improve the quality and safety of maternity services

Experience, satisfaction and engagement – we need to focus on improving patient experience, one of the 3 dimensions of high quality care

Emergency preparedness

National
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Our approach to enabling change

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A range of enablers will be developed in 2009/10 to support the NHS in achieving these priorities and putting quality at the heart of the system

A new model
of change

Building on the success of the Next Stage Review process, we need to take a new approach to the way we do business in 2009/10, based on the four principles of co-production, subsidiarity, clinical leadership and system alignment

The quality
framework

We need to work together to put in place key enablers for improving quality, based around the 7 components set out in *High Quality Care for All*. This quality framework will start to take shape in 2009/10

Other
enablers for
change

High Quality Care for All set out a number of other enablers for high quality care based on empowering patients, improving commissioning, developing leadership and making better use of informatics

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Financial allocations and efficiency

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Healthy allocations and prudent drawdown of the surplus are in place for 2009/10 and 2010/11, as we prepare for the need for substantial efficiency savings in 2010/11

Headline allocations

PCT allocations growth will average 5.5% for both 2009/10 and 2010/11, with minimum floor growth of 5.2% in 2009/10 and 5.1% in 2010/11

Surplus strategy

We will maintain a sensible level of surplus by deploying the existing surplus in a planned and managed way with £800m deployed over 2009/10 and 2010/11

Tariff reform

Introduction of HRG4 will make the tariff more clinically relevant and flexible, with an uplift of 1.7% in 2009/10 and not exceeding 1.2% in 2010/11 (excluding CQUIN payments)

Efficiency savings

Pursuing high quality care across the NHS will improve value for money, as we prepare for substantial additional efficiency savings in 2010/11 responding to the Pre-Budget Report

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Finance: Improving efficiency

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The Pre-Budget report committed the public sector to major additional efficiency savings in 2010/11 – the NHS will need to make a substantial contribution to this

Better care
means
better value

In this context, high quality care is not a luxury but a necessity.

Prioritising the most effective treatments, reducing errors and waste, and keeping people healthy for as long as possible mean higher quality care, but also a more efficient and productive health service. High quality and value for money are not competing alternatives; they are one and the same thing

As Lord Darzi's interim report said last year: "*Effective care matters of course because patients should get the best outcomes. The evidence also shows that the most effective treatment is very often the most efficient treatment.*"

How we
can
deliver

We have a track record of improving efficiency with £7.88bn of savings delivered through the Gershon programme

As shown, our ambitions tie in with the goals set out in High Quality Care for All so pressing ahead with implementation will mean improving efficiency

Potential savings can be identified through the Public Value Programme e.g. increased use of shared services. reducing pre-operative bed days and improved use of NHS estates

Our
approach

The NHS will plan, bottom-up over the next year how these savings will be achieved in 2010/11

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Priorities: cleanliness and reducing infections

What we've achieved

- More than halved the number of MRSA infections since 2003/04, exceeding our commitments
- On course to meet our commitment for a 30% reduction in C difficile
- These achievements, a result of the hard work of staff across the NHS, will mean substantial improvements in patient safety

Going further in 2009/10

- We must reduce variation in healthcare associated infections with all commissioners and providers aiming to match the performance of the best organisations
- Worst performing Trusts need to make a step change in improvement
- MRSA screening for all elective admissions must be in place from April 2009, with all admissions to be covered by 2011
- All providers will need to comply Care Quality Commission registration requirements on healthcare associated infections from April 2009

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Priorities: Improving access

What we've achieved

- The NHS achieved the operational standard for the historic 18-week waiting time commitment ahead of schedule
- We have exceeded our target for improving access to primary care with more than half of GP practices now offering extended opening hours
- These achievements have meant substantial improvements to the effectiveness of care and to patient experience

Going further in 2009/10

- To address remaining variations, all commissioner and providers must strive to achieve the 18-week standard across all services and specialties
- We need to maintain improved primary care access and PCTs should aim to make ongoing progress on improving opening hours
- We need to press ahead with procurement of new GP-led health centres in order to improve access and choice in primary care
- PCTs should seek year-on-year improvement in patient satisfaction with GP services

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Priorities: Keeping adults and children well

Prevention and health inequalities

- Spearhead PCTs have set ambitious new goals for reducing mortality, but all parts of the NHS need to focus on reducing health inequalities
- All PCTs should commission comprehensive well-being and prevention services, including vascular health checks for people aged 40-74

Maternity

- Each of the 10 SHA visions recognised the need to significantly improve the quality and safety of maternity services – we must now see progress in this area
- Introduction of choice, type and place of care by the end of 2009
- We need to demonstrate improvements in patient experience

Children's services

- PCTs should review services in line with the forthcoming Child Health Strategy
- Commissioners and providers should keep under review their arrangements for safeguarding and promoting the welfare of children
- We need to work towards our objective of reducing childhood obesity to 2000 levels by 2020

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Enablers: The new model of change

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Key lessons and influences

Success of the locally driven Next Stage Review process with the centre acting as an enabler

Review of evidence on what makes large scale change programme successful, showing:

- Quality as a systemic issue
- The pace of change will vary so we need to go where the energy is
- Leadership must play an enabling role
- Need for change, not churn

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Principles for change

Co-production

Subsidiarity

Clinical ownership / leadership

System alignment

Enablers: Developing the quality framework

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Bringing clarity to quality

Enhancing the role of NICE in 2009/10 to become the home for national quality standards

Measuring quality

Developing measures of quality at all levels of the NHS through the ongoing Measuring for Quality Improvement

Publishing quality performance

Quality Accounts will be widely tested during 2009/10 and required from all providers from April 2010

Recognising and rewarding quality

We are publishing guidance to support the CQUIN payment scheme alongside this Operating Framework

Raising standards

The new National Quality Board will provide leadership and alignment for the quality agenda from early 2009

Safeguarding quality

The newly integrated health and social care regulator, the Care Quality Commission, begins work from April 2009

Staying ahead

The new duty to innovate for SHAs comes in from 2009 and first Academic Health Science Centres will be approved

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Other enablers for high quality care

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Enabling high quality care for all

Empowering patients and the public

- The introduction of Patient-Reported Outcome Measures will ensure that we adopt a patient-centred approach to assessing the quality of care

Commissioning for quality

- The World Class Commissioning assurance process will support PCTs in improving the quality of commissioning and of the services in their local area

Leadership for quality

- New NHS Leadership Council from early 2009
- SHAs and PCTs required to produce talent and leadership plans from 2009

Informatics to support quality

- The new Summary Care Record will help to improve care for patients with long-term conditions
- Clinical dashboards will help local teams to assess the quality of care

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Finance: Headline allocations for 2009/10 and 2010/11

Allocations will be adjusted for the revised weighted capitation formula and market forces factor indices, following recommendations by the Advisory Committee on Resource Allocation. The new formula is more technically robust and explicitly includes a health inequalities component.

PCT revenue
allocations
for 2009/10

- Average growth will be 5.5%
- Minimum growth floor of 5.2%

PCT revenue
allocations
for 2010/11

- Average growth will be 5.5%
- Minimum growth floor of 5.1%

No PCT will
receive less than
10.6% growth
over two years

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Finance: Pace of change for 2009/10 and 2010/11

Our approach to pace of change in allocations balances stability, through minimum increases for all PCTs, with equity, with differential increases to bring under target PCTs closer to target

- Average growth will be 5.5% in both 2009/10 and 2010/11 – all under target PCTs will receive at least average growth
- PCTs furthest under target will receive the highest growth – no PCT is more than 6.2% under target by end of 2010/11 (compared with 10.6% at the start of 2009/10)
- Changes to the allocation formula, market forces factor, targets and baselines mean opening distances from target differ for 2009/10 compared with 2008/09

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PCTs with highest growth over 2009/10 and 2010/11

- Bassetlaw – 17.1%
- Barnsley – 15.2%
- Lincolnshire Teaching – 13.8%
- South Staffordshire – 13.6%
- Milton Keynes – 13.2%
- Leicester City – 12.9%
- North Lincolnshire – 12.6%
- Stoke on Trent – 12.6%
- Wakefield District – 12.6%
- Cornwall and Isles of Scilly – 12.4%

Finance: Surplus strategy

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The aggregate resource surplus delivered by SHAs and PCTs will be carried forward to 2009/10



We will then deploy the surplus in a planned and managed way, spending a total of £800m across 2009/10 and 2010/11 and thereby retaining a 1% surplus to take into the next CSR period



This approach means we retain a sensible level of surplus whilst allowing the local NHS to use a significant proportion of the accumulated surplus to move faster with local implementation

In addition, SHAs will have freedom to determine the level of local contingency and where this should be held

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Finance: Tariff reform for 2009/10

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Changes
for
2009/10

We are introducing a number of changes to the national tariff for 2009/10:

- SHA will manage the transition to HRG4, which includes more than 1200 prices to take better account of casemix complexity – resulting reduction in specialist top-ups means only orthopaedics and specialist paediatric top-ups remain (changes will not apply to A&E or outpatient services)
- Changes to the market forces factor will also affect tariff payments
- These changes have been developed with significant NHS input and have gone through several testing phases

Tariff uplift

In 2009/10, tariff uplift will be 1.7% - this includes the 3% efficiency requirement from the Spending Review Settlement. Providers can earn an additional 0.5% for meeting agreed quality standards through the CQUIN scheme, bringing the potential uplift to 2.2%

For planning purposes, providers should assume that the tariff uplift for 2010/11 will not exceed 1.2% on a comparable basis, reflecting the tighter financial environment, with additional uplift available through CQUIN

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Finance: Improving efficiency

- Our ambition is to achieve substantial additional efficiency savings in 2010/11
- This is a major challenge so we need to plan carefully over the coming year, building on achievement of £7.88bn savings through the Gershon programme
- We will plan from the bottom up, allowing the local NHS to determine the details of how productivity opportunities will be realised
- We know from the Public Value Programme, Government Operational Efficiency Programme and related work that there are particular areas where significant progress can be made:
 - Use of shared services in back office functions
 - Improvements in the use of the NHS estates
 - The World Class Commissioning programme can unlock a range of productivity opportunities e.g. by reducing pre-operative bed days and by reducing outpatient DNAs
 - Better co-ordination with our partners will make care more efficient e.g. through the Partnerships for Older People programme
- By capitalising on these opportunities, and pressing ahead with implementation of the NSR visions, we can improve both efficiency and quality of care while contributing to addressing the wider economic difficulties we face

Planning for 2009/10

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Expectations

PCTs should prepare an Operational Plan for 2009/10, including:

- Commitments on national priorities and local priorities identified
- Consistency with Joint Strategic Needs Assessment and local Children and Young People's Plan
- Alignment with the World-Class Commissioning principles

SHAs should ensure:

- Robust demand and activity assumptions
- Assurances on delivery of key national priorities
- Close alignment between PCT finance, workforce and activity plans
- Consistency with contracting and Local Area Agreements

Timetable

First round of SHA plans covering Tier 1 Vital Signs, plus initial finance and workforce plans due by 30 January 2009

Submission of SHA plans against all Vital Signs, plus final finance and workforce plans by 20 March 2009

The leadership challenge

So there are a number of different expectations of the clinical and managerial community during 2009/10 - delivering on these expectations is a major leadership challenge to which we all need to respond

- We must continue to deliver on the national priorities that matter most to our patients and the public;
- We need to start to put in place the strategic enablers and foundations that will help deliver the ten SHA regional visions and put quality at the heart of all that we do;
- Because the most effective treatments are often the most efficient, our focus on driving up quality will contribute to improving efficiency. We must focus on achieving value for money improvements by prioritising the most effective treatments and reducing errors and waste; and
- We need to develop new ways of working and leading that reflect the evidence base and principles for driving large scale transformational change.