Monitor
Making the health sector work for patients

NHS England

Multilateral gain/loss sharing to support new models of care: an introduction

Audience

This document is intended for all organisations involved in commissioning or delivering new care models.

It will be of particular interest to chief executives, clinicians and others who require a broad understanding of Monitor and NHS England's proposed new payment approach to support the service reform, but who do not need detailed guidance on payment design and implementation.

Separately, we are publishing a local payment example which provides detailed guidance for finance, contracting and commissioning staff on how to approach developing and implementing the new financial mechanism locally. We will also be making available tools to support local work in this area.

Context

Across the health and social care sector, there is a move towards offering better co-ordinated care through new networked and integrated care models. The launch of the 'Five Year Forward View' has added impetus to this trend.

The way we pay for healthcare can support or hinder health and social care organisations moving towards these new ways of meeting patients' needs now and in the future. As new models of patient-centred co-ordinated care and of networked emergency care emerge, we need to ensure the right payment models are in place to support them.

Why payment reform is needed

Sector feedback indicates that current forms of payment do not always support, and at worst can discourage, the move towards these new care models. The varied payment approaches used in different care settings and for each element of service tend to reinforce the fragmented nature of care. In particular, current payment approaches may amplify the (perceived or real) creation of winners and losers in local care economies working towards major service reform.

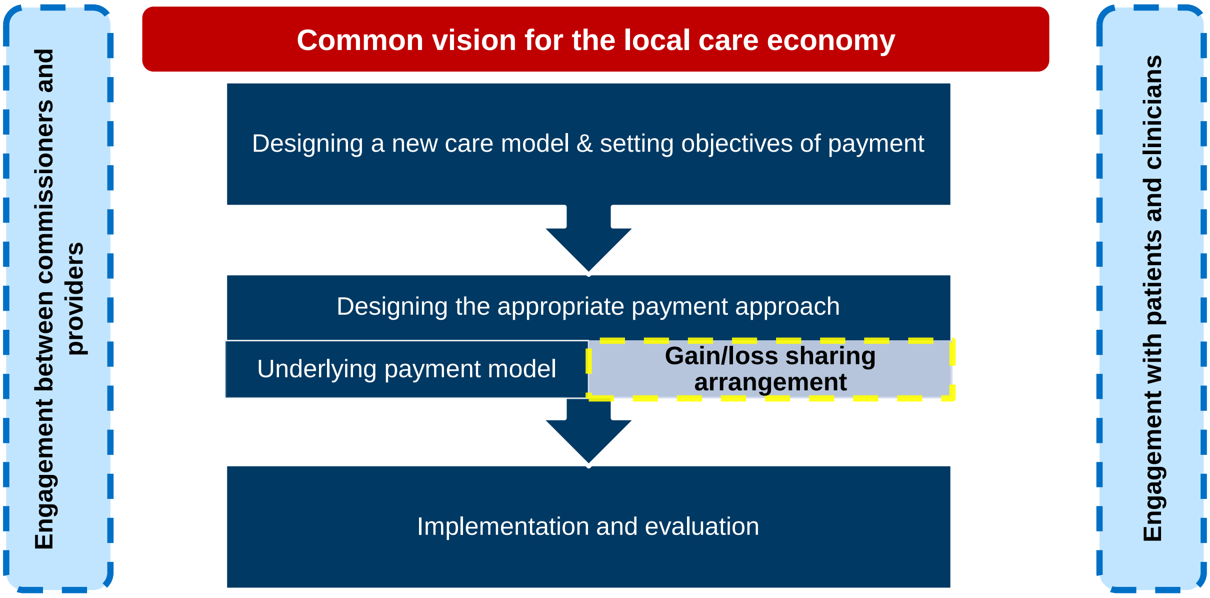
It is often suggested that the NHS's activity-based payment approach for reimbursing acute providers makes it harder to reduce potentially avoidable acute activity. Providing joined-up care with other types of providers may reduce acute activity and so reduce revenues for hospital providers. However, this reduced activity is unlikely to result in a commensurate immediate reduction in costs. Similarly, the block payments often used for community and mental health services provide little incentive for these providers to expand the volume of care they provide and proactively support early discharge from an acute hospital. In such cases, providers' financial incentives are not currently aligned to promote integrated and networked care models.

Multilateral gain/loss sharing is a potential way to address these issues.

Multilateral gain/loss sharing

Designing the right payment mechanism relies on the wider process of moving to a new care model. This starts with developing a common vision for the local care economy, as shown in Figure 1 below. It is an essential step since getting the financial incentives right is crucial to supporting the delivery of high quality, good value patient care.

Figure 1: Gain/loss sharing as part of broader system change programme



As illustrated above, multilateral gain/loss sharing combined with an underlying payment model – such as capitation – defines the overall payment approach.

The two key components of a multilateral gain/loss sharing mechanism are:

- it covers multiple providers and one or more commissioners

- financial gains/losses are identified and distributed based on system financial performance and/or other metrics, such as performance on quality and outcomes.

The gain/loss sharing mechanism works by comparing the expected commissioner spend (associated with delivering care) with the actual outturn. The difference between the expected spend and actual outturn forms the gains/losses pool. This pool is then distributed between the commissioners and providers. For instance, a reduction in non-elective admissions may lead to an overall reduction in spend across the board. This reduction would form a gains pool that could then be shared among the participants, including the provider that has seen a reduction in its activity and the providers in the community that helped achieve this outcome. The gain/loss sharing mechanism therefore helps:

- align individual organisations' and the system's financial incentives

- allocate financial risk associated with service change appropriately.

By bringing together payment for multiple providers, the gain/loss sharing mechanism allows individual organisations' financial incentives to be realigned to achieve outcomes for the whole system. It allows organisations to benefit from individual actions that generate benefits for other parts of the system, and similarly feel the impact of costs their individual actions impose on others in the system. It also enables commissioners and providers to contribute to system-wide change with some protection from a sudden loss in revenue and unfunded fixed costs, or from an unpaid increase in activity. In doing so it supports the successful transition towards new care models.