NHS
East of England

AGENDA ITEM 8

EoE NHS MB / THURSDAY, 3 APRIL 2008 / FOR DISCUSSION

Developing a System Management Capability

Report of Dr Stephen Dunn, Acting Director of Provider Development

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1 PURPOSE

1.1 The purpose of this report is to:

- set out some of the background of system management
- describe some of the SHA's roles and functions in developing a system management capability
- set out the proposed actions that the East of England proposes to take in the next year to develop a system management capability, particularly with regard to market-making activities

2 BACKGROUND

2.1 The introduction of patient choice and payment by results and the growing focus on world class commissioning are creating a market with an increasing number of diverse providers. In addition, changes to the organisational structure of the NHS—such as the role and constitution of SHAs, PCTs, FTs and the regulators—further contribute to a 'New World' where healthcare is no longer equivalent to a monolithic NHS but is rather provided by a number of diverse organisations.

2.2 Going forward, SHAs will be accountable for the performance and management of the healthcare system. The NHS is not a self-improving system. It needs active management to protect the needs of patients and citizens, and this is the role of the SHAs. The aim of system management is to ensure the local health system is the best it can be, and it is the job of SHAs to make that happen.

2.3 The Department defines system management as comprising three components:

- building the system (e.g., rolling out practice-based commissioning, ensuring patient choice becomes a reality, getting providers ready for FT status)
- ensuring that the system is coherent (e.g., ensuring that objectives on access are complemented by changes to contracts or processes)
- making the system operate effectively in the interest of patients

2.4 However, for SHAs—especially in the early days— the focus will be on developing a pluralistic, contestable supply-side, and the on-going management of the competitive dynamic within the new supply side. Thus, whilst the DH proposes as core skills of system managers the ones listed in 2.5, the SHA should probably focus its early efforts on developing expertise, intelligence and capacity in the market-making areas.

2.5 In addition to 'softer' skills such as relationship building, interpretation and judgment of system principles, and leadership, system management has been defined as also including a range of 'hard' technical skills. These include:

- commissioning
- procurement and contracting
- the choice offer
- leverage of governance arrangements
- managing promotional activities
- payment and financial regimes
- failure, support and intervention
- corporate transactions
- market development and management

3 RECENT DEVELOPMENTS

3.1 In the past few months, the Department of Health, in conjunction with the SHAs, have been working to develop a number of system management 'tools' to facilitate a uniform, fair and transparent approach to system management. For instance, *Principles and Rules of Cooperation and Competition* was published alongside the *Operating Framework* in December 2007, and work is currently underway on a *Procurement Guide* and a *Code of Practice for promotion of NHS funded services*. An independent advisory panel on competition is intended to be up and running from October 2008, and a System Management Intelligence Hub is being set up, to be co-funded by the ten SHAs and the DH, and hosted by an SHA.

3.2 The Department is working with SHAs to agree on roles, responsibilities and needed capabilities of the various players in the system going forward. In the interest of raising the awareness and understanding of the system management agenda, the DH has recently offered to come and present to NHS executive teams around the country. Each SHA will be expected to do a 'gap analysis' in terms of local capability and competency, and will need to decide how to meet any gaps. Based on agreed competencies, the DH will develop an Assurance Framework to which SHAs will be held to account.

4 THE ROLE OF SHAS

4.1 Whilst both DH and PCTs play significant roles in system management, SHAs are the regional system managers and oversee and assure the system as a whole.

PCTs have system management responsibilities as part of their commissioning function, and part of the SHA's role is to help PCTs develop this capability. However, SHAs also have direct system management capabilities of their own, and these capabilities too will need assessment and development.

4.2 DH and SHA representatives have jointly defined the system management responsibilities of SHAs as:

- Leadership of the health economy
- Strategy and market structure
- Sanctioning variability
- Performance management/accountability of PCTs
- Whole system performance
- Strategic communication
- Developing PCT capability

4.3 As previously noted, one important aspect of system management is market management, market-making activities, and overseeing a more dynamic market place. Here too SHAs are expected to play an important role, especially in the early phases of building the system.

5. DEVELOPING AN EAST OF ENGLAND APPROACH TO MARKET MANAGEMENT

5.1 Nationally, the current environment is complex and changing, with system management often in a nascent phase, and the East of England is no exception. However, the SHA (through the recent appointment of Peter Scanlon) is starting work with PCTs and acute trusts to develop their commercial awareness and enable them to respond to new opportunities. In addition, there are some 'market making' activities already under way in the region, such as the upcoming primary care procurement of at least fourteen GP-led health centres; the procurement of two ISTCs in Hertfordshire and Essex; and the current work on Hinchingbrooke. Further, PCTs, in moving towards a separation of commissioning and provision from 1 April 2008, have been supported to consider all possible options for their reconfiguration, especially those that promote choice and contestability. Thus they have been encouraged to consider integrating their provider arm functions with other PCT provider arms, care providers or acute trusts, or to enter into partnership with independent sector organisations.

5.2 A start has thus been made towards market-making; what is missing, however, is a systematic overview and understanding of the region in this area. Such an overview could serve as the basis on which further, strategic decisions in market- and system management could be made. It would be fruitful to start developing such an understanding early on. Additionally, there are a number of options that the EofE could pursue to start to add some teeth to the system management agenda, and particularly with regard to market-making activities. These options include:

i. *Market description and analysis*
It is not clear what the market currently looks like—i.e., what is the complete list of providers across the region; what services do they each provide; what is the itemised list of spend by provider; what's the PBR assessment of providers; what do demand projections and capacity plans look like? A market analysis—perhaps starting with a few areas—could be commissioned, the aim of which would be to come up with recommendations for action.

ii. *Mapping of market-making activities*
There may be isolated or on-going instances of market-making activity in the region (such as use of tariff top ups or unbundling, or innovative new providers) that are not widely known, but which could provide useful intelligence for further action.

iii. *Logging of local system and market management issues*
It is likely there are—or soon will be— local disputes around markets, contracts and competition. There may also be examples of perverse behaviour (e.g., instances of an organisation commissioning services from itself). A clearer understanding of the specific challenges in the region would be helpful as a guide to future plans and actions. For the same reason, it would also be useful to start building a log of case law and examples (NB: some of this work could usefully be done in liaison with the soon-to-be System Management Intelligence Hub).

iv. *Establishment of an (interim) EoE competition panel*
Building on (iii): rather than wait for the national Competition Panel to go live in October 2008, East of England could forge ahead with the establishment of an interim, regional competition panel to grip any local competition disputes early, to develop a process for solving such disputes, and to provide regional guidance and direction. Such a panel could, for instance, constitute a sub committee of the EoE NHS MB.

v. *Contextualize the 'New World' to the regional health community*
To many, both within and outside the NHS (e.g., clinicians, acute trusts, commissioners, the public, councillors and MPs), the language of 'the market' is alienating, off-putting and sometimes threatening. The SHA could hold one—or a series—of contextualizing events where the market paradigm is explained and de-dramatised, and the ultimate goals of these reforms clearly articulated. This would likely contribute to greater mutual trust, less local upheaval and a smoother transition into the new set of needed behaviours and activities.

vi. *'War gaming'*
Simulation events like the Rubber Windmill can be useful tools for testing new scenarios and for giving local participants the chance to voice opinions and 'try out' the New World. They can also yield valuable learning e.g., about unintended consequences or perverse behaviours, and serve as a useful guide to future

action. The SHA could commission one or more of these events for regional players.

vii. *Market research on the impact of health reforms on providers*
A Mori style poll on choice (akin to the one carried out in Birmingham/the Black Country), aimed at probing the public's views on choice and how it'd respond to it, would yield a clearer understanding of choice and its impact on markets.

viii. *Establishment of a Commercial Advisory Board (CAB)*
This would be an opportunity to bring together existing and potential future providers—including national players who do not yet have a presence in the region— into a common forum to discuss system management and market issues, such as approaches to procurement, lowering the barriers to market entry, and innovative commissioning strategies. The CAB could feedback on the strategic direction taken by PCTs and the SHA, and could serve to increase the flow of intelligence and exchange between providers, commissioners and the SHA. To have teeth, the recommendations of the CAB should go to the EoE NHS MB, where they, if acted on, could influence commissioning decisions. The membership and terms of reference of such an advisory board would have to be carefully agreed, but it could, for instance, have 15-20 members, including: providers from primary care, social care, elective care and acute care, as well as the Director of Commercial Policy (DH) and the Commercial Director General (DH), members of the upcoming national Competition Panel, PCT Chief Executives and members of the SHA senior leadership team such as the Director of Commissioning and a future Head of System Management.

ix. *Include the five biggest commercial players to the NHS EoE Chairs and Chief Executives' meetings*
In the interest of transparency and inclusiveness, and to reflect the new business reality, the five biggest regional commercial players could be invited to the quarterly NHS EoE Chairs and Chief Executives' meeting. Attention would need to be paid to the purpose and criteria for admission to this group as it is likely to create a stir, but including commercial partners in this group would send a strong message to the whole health economy as to the intention of the SHA.

6. NEXT STEPS

6.1 The system management agenda is likely to become core business of what the SHA does, and we will need to develop sufficient capacity and expertise to take on this role. There will also need to be a locus in the organisation for developing, driving and overseeing those initiatives that the SHA decides to take forward, such as the suggested CAB and regional competition panel. The Executive Team is proposing to establish a specific market management capability and team in the Provider Development directorate e.g., a Head of System Management, an analyst and a policy lead.

6.2 The Executive Team have prioritised the options outlined in section five into short and medium term priorities. The near term priorities reflect the fact that these activities can be progressed while the broader team and capability is being put in place. The board will be updated on the workplan and progress toward setting up a market management function as the team is set up.

Short Term Priorities	**Medium Term Priorities**
i) Market Description and Analysis	ii) Mapping of Market Making Activities
iv) Establishment of an EofE Competition Panel	iii) Logging of local system and management issues
vii) market research in the impact of health reforms	v) Contextualise the New World to the regional health community
viii) Establishment of a Commercial Advisory Board	vi) war gaming
ix) Invite the five biggest commercial players to the NHS EoE Chairs and Chief Executives meetings	

6.3 As ever when national policy and guidance is still being formulated, there is a possibility that regional initiatives that have been developed in response to local issues will later on need to be dismantled or radically changed in light of national developments. This, however, would seem a risk worth taking, especially as East of England will have the opportunity to influence the national development.

Recommendation

7.1 The Board is asked to note and comment on the approach to developing a system management capability.

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