Sharing risks and benefits of integrated care: quick guide

Integration and Better Care Fund

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Integration and Better Care Fund series

This series of guides was originally developed to support the mobilisation of Better Care Fund programme plans across the country. These guides continue to be of practical use to everyone involved in planning and delivering joined-up, integrated care for individuals and communities, person-centred care as part of BCF plans as well as other programmes that foster collaborative cross-system working under the new goals and ambitions of the NHS Long Term Plan. This includes frontline professionals and managers, commissioners, as well as councillors and board members in local government and the NHS, community and voluntary groups, independent providers and groups speaking for people who use health and care services.

- **How to… bring budgets together and use them to develop coordinated care provision**
- **How to… lead and manage better care**
- **How to… work together to achieve better joined-up care**
- **How to… understand and measure impact**
- **Transfers of care: signposting resource**

1 Introduction

This guide provides practical guidance to support the development and management of risk and benefit share arrangements in the context of delivering joined-up, integrated care.

This guide has been updated to reflect the maturing thinking on the development and management of risk and benefits sharing to support the delivery of joined-up, integrated care. The guide provides advice on how to develop a risk and benefits share, and covers the specific risk and benefits shares associated with improving out-of-hospital services and reducing non-elective admissions and delayed transfers of care. It emphasises the importance of creating a risk and benefits share within a system-wide approach to enable whole-system and integrated working.

This guide:

- covers risk sharing and benefits sharing at a system level
- focuses on governance, relationships, high-level frameworks and different approaches
- provides examples and suggestions from good practice sites across England
- does not cover guidance and examples around contractual and legal agreements on which advice should be taken by local areas.

2 What is risk and benefits sharing?

Risk and benefits sharing is a management method of sharing risk and reward between members of a group by distributing gains and losses on a predetermined basis.

Gains and losses are determined by the difference between target outcome expectations and the actual resulting outcome. The NHS already employs some models of this nature, such as CQUIN[1] incentive payments.

Another way to look at risk and benefits sharing is by asking two questions:

How can we incentivise better system outcomes?

What happens if our plans don't materialise?

This guide has been updated to reflect the nature of joint working and the need for the wider system to share both risks and benefits. It is important to focus on the positive aspects of pooling resources to improve the system, while being clear about the associated risks and how to manage them.

Why is risk and benefits sharing important?

The goal of integrated care is to improve the health and wellbeing of the population as well as of the practitioners and care staff who support that population. This is achieved by optimising the benefits of shared resources. Sharing resources between different organisations requires a risk and benefits mechanism to enable this approach to work on a day-to-day basis, and also to incentivise organisations to deliver shared goals and outcomes.

Risk and benefits share 'flow' is generally articulated in financial terms, as it is the tangible 'currency' when it comes to contribution (when organisations contribute to a shared pool) and payout (when a financial benefit is realised). There are other risks and benefits that form part of local integrated and Better Care Fund plans that are articulated in other measures (e.g. patient and staff satisfaction). Traditional payment approaches and mechanisms may present conflicting incentives that may pose barriers for integrated care. Risk sharing agreements can support the alignment of financial incentives with common goals. Best practice for successful integrated systems indicates that there should be an agreed approach to financial risk sharing and contingency.

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1 CQUIN stands for commissioning for quality and innovation. The system was introduced in 2009 to make a proportion of health care providers' income conditional on demonstrating improvements in quality and innovation in specified areas of patient care.

Advantages of risk and benefits sharing

Unprecedented increases in demand and financial austerity have meant that it is ever more important that health and care organisations partner and pool their resources to achieve better value and outcomes for patients and families. This requires the partnership to be clear about the relative risks and benefits of each participating organisation. Therefore risk and benefits sharing is a key component that underpins the success of this. Contract incentives, such as CQUIN, are relatively straightforward – providers are paid a certain amount of money if outcomes are achieved which benefits both provider and the commissioner. As local systems progress their plans for integration, including devolution arrangements and ICSs – the risk (e.g. failure of delivery) and benefits (e.g. savings from shared staffing) arrangements become more complex as the number of organisations and scope increases. Across the country, in many different forms and guises such as Better Care Fund, joint commissioning, integrated care organisations, ICSs – many local health and care systems are pooling their resources to improve the

outcomes for their population, working across the NHS, local authorities and voluntary and independent sector organisations. Pooling resources and optimising value is integral to successful health and wellbeing systems internationally.
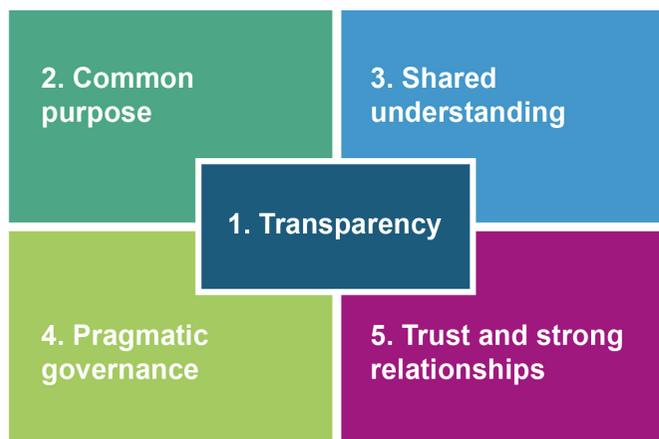
The opportunities of risk and benefits share agreements include:

- opportunities for better alignment of resources with population needs without creating extra risk for individual organisations

- enabling a focus on outcomes and delivery for the whole health and social care system rather than focus on individual organisations

- an opportunity to align risks with system resilience plans

- an opportunity for providers to align their incentives with the rest of the system.

3 Creating and embedding risk and benefits sharing

What are the building blocks?

From experiences with colleagues nationally and internationally, risk and benefits sharing works well when all stakeholders across the system, including commissioners, providers and patients, have demonstrated the following attributes:

2. Common purpose	**3. Shared understanding**
1. Transparency	
4. Pragmatic governance	**5. Trust and strong relationships**

1. **Transparency** – clear baseline and performance measures can be tracked. This needs to be proactive and regular so that issues can be dealt with 'in-flight'. There should be a minimum of a review every quarter. This is the mechanism that will enable stakeholders to know their latest risk and benefits position and help them follow the four attributes.

2. **Common purpose** – ensure there is a clear common purpose concerning the intended outcomes for the local population and the ways in which services will be reshaped to meet those outcomes. The focus should be on system and individual outcomes. Please see **How to … understand and measure impact**.

3. Build a **shared understanding** among leaders, staff, partners and service users. This is important in terms of the extent to which each partner can influence the risks and benefits identified. Partners should work together to achieve collaborative working.

4. Clear and **pragmatic governance** arrangements concerning decision-making and accountability, with shared leadership at political and executive levels.

5. **Trust and strong relationships** are essential – the personal chemistry between local leaders is as important as formal plans and strategies.

What are the key considerations at each level of the system?

Risks and benefits can be considered at a project, organisation and/or system level. It is for the organisations involved in developing risk and benefits share arrangements to agree at what level this should be done and how risk and reward should be apportioned between the parties involved.

The aim should be to move towards agreeing risk share at a system level to incentivise and drive the local system to deliver improved outcomes and results.

Service or project level

Risks and benefits within each service/project are allocated to areas of an organisation. Each area will bear the risk and benefits of that element of the service/project.

Organisational level

Each organisation takes on the risk and benefits of the projects it manages.

System level

Sharing risks and benefits between all organisations on the basis of a shared understanding of the vision and objectives.

What are the routes to risk and benefits sharing?

There is a range of routes to sharing risks and benefits. The simplest are set out below.

Activity commissioned

A simple route to risk and benefits sharing is to allocate risk and reward on the basis of the activity that each organisation commissions in that area. This can be calculated at an overall health and wellbeing board level, down to a more detailed project level.

The logic here is that the more activity an organisation commissions, the more influence it has over the risks and benefits.

Once it is determined which party has influence over certain risk and benefits of the agreed arrangement (e.g. underspend or overspend of a service), it may become apparent that some risks or benefits are influenced by only one organisation. In this instance, the group should consider whether it is appropriate to share these risks/benefits or whether they should remain with the organisation with the main influence over them.

Pro rata contributions

Overspends and underspends can be allocated pro rata to commissioners on the basis of their contributions into the project. This can be in the form of one overall risk and benefits share agreement for the pooled budget, or a number of subsections within the budget for which there are different risk and benefits share agreements.

How is risk and benefits sharing initiated?

The decisions required to develop a successful risk and benefits share framework are set out as a step-by-step process below. This guide should be used in conjunction with the **How to … understand and measure impact** guide which provides more support regarding identifying and managing benefits measures.

The order shown is only a suggestion. Elements of the process will be iterative, and should therefore be revisited during the process if necessary. For example, estimated populations may be determined early on, but this will need to be revisited and refined to agree baseline figures.

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1 ▶
Determine who are the relevant parties to be involved in the risk and benefits share.

Key considerations:

Who needs to be involved for the discussions to have an impact? The right people must be around the table from the start.

It is important for all parties to understand the broader context in which agreements are being made. There will be external factors influencing each organisation, including the extent to which they have the capacity to bear risk and what benefits they need to realise to support their strategy and business plans.

2 ▶
Establish any circumstances affecting what risks and benefits each organisation can take on and any factors preventing them from taking on certain elements of risk.

Key considerations:

There will be some circumstances that make it impossible for some organisations to legally take on certain types of risk or reward. For example, non-foundation trusts are not able to take on certain delivery risks and trusts in special measures are restricted in terms of what risks they can legally embrace. Local authorities need to have balanced budgets.

3 ▶
Agree priorities and objectives of each party and the risks and benefits to achieving this individually.

Key considerations:

Before agreeing joint objectives, it is important to understand the objectives of individual parties. This will give all parties an understanding of the context of the risks and dependencies, both internally and externally. Impact and likelihood should be assessed for each risk. Each objective should be included on the individual entity's risk register and benefits management tracker. It is important to note that all organisations involved should have a gain or benefit from the objectives and approach being set out. If not, then this needs to be refined as 'everybody needs to gain'. Each organisation also needs to bear some form of risk. The process will not work if only one organisation receives all the rewards or bears all the risks.

Topic areas   Governance   System context   Metrics

4 ▶
Use information from step 3 to agree collective priorities and objectives.

Key considerations:

In agreeing joint objectives, the target populations and scope (service, initiative) of the change that will bear the risk and benefit of the target outcome should be identified and estimates created of baselines and metrics.

Parties should all agree how success and impact (from both risks and benefits) will be judged and therefore agree collective decision-making criteria for investment and disinvestment in initiatives. Criteria should include thresholds above and below which action will be taken, to avoid continual change.

It is important that disinvestment decisions are made before action is required, to ensure that system priorities remain the focus during difficult decision-making processes.

5 ▶
Agree collective net risks and potential benefits for achieving objectives.

Key considerations:

Calculations should include impact and likelihood assessment.

Shared risks should be included on a joint risk register, each with risk owners.

6 ▶
Determine each organisation's risk appetite at a system level.

Key considerations:

The risk appetite and the certainty of benefits will determine the willingness of the system to make bold changes to service provision.

If organisations have different risk appetites, parties should 'workshop' practical examples to develop shared criteria for assessment of acceptable risk and how to incentivise the realisation of benefits to drive different behaviours (e.g. CQUIN).

Topic areas   Governance   System context   Metrics

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7

Identify the extent to which each organisation can influence the risks and benefits. On this basis, agree how risks and rewards will be shared in principle.

Key considerations:

Individual organisations are unlikely to be willing to take on risks or sign up to benefits that they can't influence, but will want to sign up to the other benefits that they can influence. This stage should therefore support cases for risk and benefits share among the group.

Some risks and benefits may not be shared. Local teams need to agree on an approach for risks that are wholly in one organisation's control. Where this is the case, it may be most appropriate for the controlling organisation to retain the risk and sign up to benefits within that organisation. It is important to think of this in a whole-system way – e.g. reducing Non-Elective admissions, which is a system challenge. On paper, this would 'benefit' clinical commissioning groups – however, there needs to be additional investment from local authorities in community and home care to support this and for both acute and community providers to work differently. There needs to be a financial benefit and incentive for the up-front investment and potential shared reward. This also poses a risk – if the additional investment doesn't materialise then all parties should put in a mitigation plan for this, but also an incentive to ensure it works.

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Identify target population for each project.

Key considerations:

Unless projects are aimed at the entire population, the group needs to be specific about which population group a project is targeting. It should be this population that is monitored to establish impact.

Topic areas Governance System context Metrics

9

Agree baseline against which to measure performance.

▶

10

Agree metrics for measuring performance.

Key considerations:

Systems may need time to get data in place to agree the baseline.

The expected cost, or baseline, could be the current performance, or future performance in a 'do nothing' scenario. This should be agreed so that performance of projects can be measured.

If full detail cannot be obtained upfront, agree what the baselines will be and what will be measured. Actual measures should then be confirmed at a later date when the data is available.

Key considerations:

The logic of the metrics should be tested to ensure that the selected metrics are appropriate for tracking performance.

Consider the following when determining whether metrics are appropriate:

- Do partners have a high degree of influence/control over factors that affect performance?
- Do the necessary resources to act exist or can these be developed?

All organisations should agree on the metrics used and trust in those selected being appropriate for the projects implemented.

All organisations and the system as a whole should monitor metrics at regular intervals and adjust the course of action as necessary.

Topic areas   Governance   System context   Metrics

4 What are the key challenges?

The broader context in which risk shares are being agreed adds complexity to the process because local teams and organisations are wary of adverse or unknown financial implications. Both local government and NHS commissioners are under significant financial pressure.

This can make the risk share process combative rather than an opportunity to reach a shared understanding of vision and objectives for the local health and care system.

It is important that local systems should focus first on developing joint plans, and then on developing the risks and benefits share to support the implementation of those plans. Function should come before form: be clear about what needs to be achieved and how it will be achieved, and have a robust risk and benefits management approach. These aspects are essential to enabling organisations to work together to deliver integration.

Challenges	Potential solutions	Reference to 'Building Blocks' (section 3)	How-to-steps (section 3)
We are in a deficit – how can we convince our finance colleagues that this is the right thing to do? How can we sell this to the system decision-makers and stakeholders?	Be clear about the benefits and risks. Take a more bottom-up and evidence-based approach to demonstrate system benefits for all parties. Identify the common ground as outlined in the step-by-step development approach. Consider the potential benefits and be clear about what the real risks are in not achieving given targets. Local areas should triangulate the conversation so that it includes clinicians, project managers and finance stakeholders in order to ensure what is agreed works.	2. Common purpose 5. Trust and strong relationships	Step 1: Determine who are the relevant parties to be involved in the risk and benefits share. Step 2: Establish any circumstances affecting what risks and benefits each organisation can take on and any factors preventing them from taking on certain elements of risk. Step 6: Determine each organisation's risk appetite and agree risk appetite at a system level.

Challenges	Potential solutions	Reference to 'Building Blocks' (section 3)	How-to-steps (section 3)
Why is it difficult to work across different organisations to develop and agree a risk and benefits share arrangement for programmes that focus on reduction of non-elective admissions?	Joint plans to reduce non-elective admissions usually consist of many different projects, schemes and initiatives (e.g. rapid response, A&E front-door, integrated case management). This causes issues around attribution – which intervention contributes to the reduction – and who is responsible for it. It is difficult to attribute where the benefits share would lie. When non-elective admissions increase it is equally difficult to understand the causes. Is it an increase in demand? Is it the failure of the schemes – if so which one was not effective? How should we as a system pay for additional demand? Developing shared priorities, objectives and outcomes around target population or group (e.g. +75 population) is a more helpful approach in two ways – and is also good practice in ICSs. 1) It is much easier to develop a joint plan around the person or a population group – rather than a collection of services or professionals. 2) It provides a framework that addresses the root cause and takes into account needs, behaviour and assets. This helps local systems with prioritising schemes that better target outcomes but also makes it easier to identify where the risks and benefits lie – and who is responsible for it. This helps inform the initial agreement and on-going management arrangements.	2. Common purpose	Step 3: Agree priorities and objectives of each party and the risks and benefits to achieving this individually. Step 8: Identify target population for each project.

Challenges	Potential solutions	Reference to 'Building Blocks' (section 3)	How-to-steps (section 3)
What is expected in terms of local areas being asked to consider putting an appropriate portion of funds into a risk and benefits share agreement for contingency purposes?	There is no suggested contingency due to the different needs and the risk appetite and tolerance of each local area – and the nature of the projects. The first step for each area is to determine what the joint area priorities are and the best method for achieving these goals. The second step is to determine what benefits and risks are associated with that method. From early evidence, nationally and internationally, the critical ingredients for successful collaborative working are bringing together system aims, pooling resources and sharing benefits and risks to achieve improved outcomes for the population and increase system benefits.	3. Shared understanding 4. Pragmatic governance	Step 4: Use information from step 3 to agree collective priorities and objectives. Step 5: Agree collective net risks and potential benefits for achieving objectives.
How do we know which risk and benefits to share for our joint programme of work (e.g. out-of-hospital services) when we don't know what the baseline measure is?	Local areas should understand and establish their baseline as a priority. It is important that system leaders and managers work collectively to map the benefits and risks from both a 'bottom-up' and 'top-down' direction – so that it is fully understood and can be managed appropriately.	1. Transparency 3. Shared understanding	Step 9: Agree baseline to which to measure performance.

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Challenges	Potential solutions	Reference to 'Building Blocks' (section 3)	How-to-steps (section 3)
What happens if we need to make changes to our risk and benefits share arrangements once we're 'up and running'?	All plans – no matter how well developed – will be challenged by the realities of execution. Key scenarios should be developed and agreement made on how to manage them. This needs to be reflected in the governance and management approach. The arrangement and agreement also need to be clear on what is fixed and what is variable. For example, Torbay in section 5.1: the risk and benefits share agreement is clear that variances occur, and should be dealt with through the agreed governance arrangements. They also agreed that the level of contributions from each party (and benefits to each party) will remain the same throughout the agreement – established using the initial baseline position. Trust, senior system leadership and pragmatic governance structure are key to making this work operationally on the ground.	4. Pragmatic governance 5. Trust and strong relationships	Step 2: Establish any circumstances affecting what risks and benefits each organisation can take on and any factors preventing them from taking on certain elements of risk. Step 7: Identify the extent to which each organisation can influence the risks and benefits. On this basis, agree how risks and rewards will be shared in principle. Step 10: Agree metrics for measuring performance.

5 Application: How to manage over and underspend

A two-part framework to help partner organisations with managing over and underspend for the duration of the agreement. It includes key questions that organisations should be ready to answer in managing over and underspend.

Do you have a plan for …

- What do you want to achieve?
- Who's involved?
- Risks to delivery of financial benefits?
- What are your financial thresholds?
- Financial mitigation in worst-case scenario?

How will you manage both over and underspends?

- Withheld from pooled fund?
- How/when is any element paid in?
- Who decides how it is spent?
- If the targets are not met, who contributes?
- What happens to overspend?

Tools and resources

Support materials on risk sharing – Better Care Support Team, NHS England. This includes some additional background and suggestions for what to cover in the risk sharing elements of the **Section 75 template**. As part of the wider support package, Bevan Brittan has also prepared a template S.75 agreement with an explanatory note

2019–20 Better Care Fund Policy Framework – Department of Health and Department for Communities and Local Government

Torbay ICO – Risk share agreement example

Local payment example: multilateral gain/ loss sharing – Monitor and NHS England

On targets: How targets can be most effective in the English NHS – Health Foundation

Local CQUIN Menu 2017-19 – NHS England

Need to nurture: Outcomes-based commissioning in the NHS – Health Foundation

Accountable care around the world: a framework to guide reform strategies – in *Health Affairs*, vol 33, no 9, p 1507 (McClellan M. et al. 2014)

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