Department of Health

Department for Communities and Local Government

Local Government Association

NHS England

Risk Sharing

Webinar for BCF leads

14 March 2016, 3-4pm

The Better Care Fund

Welcome and introductions

Anthony Kealy
Better Care Support Team

Ground Rules

Running a webinar with a large number of participants is tricky! Please help us to make the session as useful as possible by following these simple ground rules:

- ✓ Please mute your handset unless speaking to avoid background noise
- ✓ Please wait until the end of each section before asking questions
- ✓ To ask a question, dial ***1**. You will then be prompted to record your name and press **#**. The operator will bring you in when it is time for questions.

The webinar will be recorded and the link will be circulated directly after the conclusion of the session. We will also be producing an FAQ document.

Webinar

- Risk sharing and relevance to BCF
- Recent changes in BCF risk sharing and impact
- Actions to be taken to meet immediate challenges
- Getting risk sharing right
- Answer questions

BCF Plans – Guidance and Timetable

The Government's **BCF Policy Framework** was published on 8 January 2016

The **BCF planning guidance** was published on 23 February with an updated timetable:

- **2 March:** Local areas to submit the completed BCF Planning Return template only to national DCO teams copied to the Better Care Support Team, detailing the technical elements of the planning requirements, including funding contributions, a scheme level spending plan, national metric plans, and any local risk sharing agreement.
- **21 March:** First submission of full narrative plans for Better Care alongside a second submission of the BCF Planning Return template.
- **25 April:** Final submission, formally signed off by the Health and Wellbeing Board.

BCF Plans and Risk Sharing

Reviews of risk sharing agreements from BCF 2015/16 plans found that many organisations have either not entered into risk sharing agreements, or if they have, they are vague and not sufficiently detailed to allow successful risk share.

Many commissioners are taking on the risks that sit within their own boundaries, without sharing these with others in the pool.

Risk sharing is difficult but important as it incentivises local systems to work together to drive improved results and outcomes.

BCF plan requirements indicate that there is an agreed approach to financial risk sharing and contingency.

Department of Health

Department for Communities and Local Government

Local Government Association

NHS England

Risk Sharing
Quick Guide

Emma Murray, Associate Director

Risk Sharing – Quick Guide

Why?

Risk sharing is a difficult and emotive subject

Brings together a set of practical guidance to help you develop your approach to risk sharing

What?

Short, online document aimed to give practical advice and guidance

Includes:

- **Actions** to take now to meet immediate 2016/17 challenges
- A **hierarchy of decisions** to embed a successful risk share agreement
- **Sources of additional information** on risk sharing

How?

Based on consultation with leading authorities on risk sharing arrangements

Developed by KPMG for the Better Care Support Team

Risk Sharing
Quick Guide

March 2016

The Better Care Fund

ISSUE 01

Contents

Risk Sharing Guide

- What is risk sharing and how is it relevant to BCF? An introduction
- The context: Why is risk sharing important for 2016/17?
- What has changed recently in BCF risk sharing and what is the impact?
- What actions should be taken now to meet immediate challenges?
- What decisions are required going forward to get risk sharing right?
- **Appendix 1** Risk share agreement options
- **Appendix 2** Additional information sources and Contributors

This guide should be used as supplementary information to the 2016/17 Better Care Fund Policy Framework and Technical Guidance Annex 4. It provides practical guidance that can be applied immediately.

This guide provides advice on how to meet the risk sharing requirements of the Better Care Fund .It covers the specific risk shares associated with improving out of hospital services, reducing non elective admissions and delayed transfers of care. It highlights that these risks are best mitigated and shared in the context of a system wide approach to risk management.

What is risk sharing?

Risk sharing is a management method of sharing risks and rewards between members of a group by distributing gains and losses on a predetermined basis.

Gains and losses are calculated as the difference between the baseline (expected cost) of delivering care to a defined population and the outturn (actual cost).

There are alternate options to risk sharing already seen within the NHS, such as CQUINS, incentive payments and delayed transfer of care reimbursements.

Benefits to using risk share agreements include:

- Offers opportunity for better alignment of resources with population needs without creating extra risk for individual organisations,
- Enables a focus on outcomes for the whole health and social care economy rather than scheme risk to individual organisations,
- Provides an opportunity to align risks with system resilience plans.
- Opportunity to involve providers to align their incentives with the rest of the system.

Why is risk relevant to the Better Care Fund?

Current payment mechanisms do not provide financial incentives that are aligned with the aims of the Better Care Fund. Risk sharing agreements are a potential way of aligning financial incentives with common goals. BCF plan requirements indicate that there is an agreed approach to financial risk sharing and contingency.

It is likely that BCF risk shares at this stage will be focused on sharing some of the financial risk of some BCF projects. It is also assumed that risk shares will be between health and social care commissioners. It is recommended that over time these be extended to include providers to further align local area priorities and ensure the success of the BCF plans.

Levels of risk consideration

Risk can be considered at different levels – from a project level, to organisation level, and system level. It is for the organisations involved in developing risk share arrangements to agree at what level and how, risk and reward should be apportioned between the parties involved.

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

Further information on risk share agreement options can be found in Appendix 1.

What we know

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

This context can make the risk share process combative rather than as an opportunity to integrate and work together in ways that will become more common and complex in the future. This is an opportunity for the local health and care economy to reach a shared understanding of vision and objectives.

Lessons from 2015/16

From reviews of BCF risk sharing agreements from 2015/16 we found that many organisations have not entered into risk sharing agreements or if they have they are vague and not detailed enough to allow successful risk share. Many commissioners are taking on the risks that sit within their own boundaries without sharing these with others in the pool.

This approach will likely be hindering the success of BCF plans as commissioners are not able to focus on outcomes and instead concern remains with bearing risks.

Relevant national conditions

- Alongside the overall requirement for an agreed approach to risk sharing, two new national conditions have been introduced:
  - Give consideration to investing a proportion of the NHS commissioned out-of-hospital services minimum allocation as part of a local risk sharing agreement,
  - Develop a clear, focused action plan for managing DTOCs including locally agreed targets. This should include consideration of all options including potential use of risk sharing.
- Regional assurance teams will review BCF plans to ensure the appropriate use of risk management arrangements.
- In investing in out-of-hospital services, CCGs and Local Authorities will need to agree to spend the money in one of the following ways:
  - Fund NHS commissioned out-of-hospital services, that demonstrably lead to off-setting reductions in other NHS costs against the 2014-15 baseline, or
  - Local areas that did not meet their 2015-16 emergency admissions reductions goals are expected to consider putting an appropriate portion of their share of the ring fenced £1bn into a local risk sharing agreement as part of contingency planning in the event of excess emergency hospital activity, with the balance spent on NHS commissioned out-of-hospital services.

Challenges	Next steps to overcome challenges
How do we know what risk to share in regards to out of hospital services when we don't know what the baseline measure is?	Local areas need to understand and establish the baseline as a priority. Actions to take now to understand the baseline are set out on the next page.
The time pressure to agree the risk shares and put these arrangements in place is very tight.	The deadline for completion of BCF plans is tight so the focus needs to be on agreeing risk shares that are fit for purpose in the given timeframe. Agreements can be reviewed every quarter alongside BCF plans so therefore can be updated when more appropriate risk share arrangements are identified. In the first instance, arbitrary or estimated splits can be used in lieu of better information. See "Influencing risk" on the next page for actions to take now.
To what extent do services need to offset other NHS costs? What is expected in terms of local areas being "expected to consider" putting an "appropriate" portion of funds into a risk share agreement for contingency purposes.	Due to the different needs of local areas a prescriptive approach has not been set out. The first step for each area is to determine what the joint area priorities are and the best method for achieving these goals. The next page sets out actions to take now to ensure the correct governance structure is in place to support this.

Actions to take now to meet immediate 2016/17 challenges

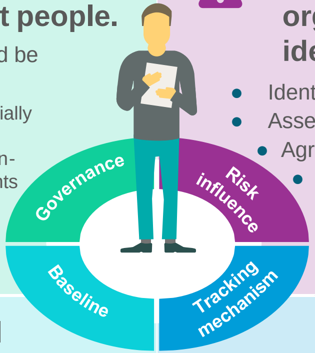
The key things for commissioners to do now are to ensure they:

Create the correct governance structure, involving the correct people.

- All organisations involved in the risk share should be represented
  - This may include a broader range of partners than initially considered, e.g. housing, VCS
  - Representatives should have the right level of decision-making power or influence in order to make agreements
- Monitor metrics and report to HWB
- Review risks regularly
- All risks have assigned owners.

Understand the extent to which each organisation can influence the risks identified.

- Identify the risks each organisation is willing to take on.
- Assess how this might change over time
- Agree lead responsibility for each risk
- Review quarterly and agree criteria for adjustment.



Establish the baseline that will be used to assess risk and track performance.

- Agree baseline and evidence of change
- Identify the population to include in the baseline.
- Identify which services will be targeted and ensure baseline performance for these services can be identified.
- Agree basis for estimation or proxy measures

Enable the HWB to reliably track performance.

- All metrics should be monitored regularly. However over time, impact and benefits will materialise in different areas:
  - Short term: Likely to see an impact in use of new service provision.
  - Short- Medium term: Success measured via patient experience.
  - Medium- Long term: Hospital activity used to track performance.
  - Long term (2yrs+)- Impact on overall costs of the hospital activity should be visible at the point so can be used to measure performance.
- The BCF quarterly return has a narrative space which can be used to comment on this performance.

The decisions required to embed a successful risk share agreement are set out as a step-by-step process below.

The order shown is the suggested order, however elements of the process will be iterative and therefore should 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.

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

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

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

- 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 organisations have the capacity to bear risk.
- There will be some circumstances that make it impossible for some organisations to legally take on certain types of risk. For example, Non FT Trusts are not able to take on certain delivery risks and Trusts in special measures are restricted to in what risks they can legally take on.

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

- Before agreeing joint objectives, it is important to start with understanding individual party's objectives. This will give all parties an understanding of the context of the risks and the dependencies both internally and externally. Impact and likelihood should be assessed for each risk. Each objective should be include on the individual entities risk register.

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

- In agreeing joint objectives, the target populations should be identified and estimates created of baselines and metrics.
- Parties should all agree how success 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 rewards for achieving objectives

- Calculations should include impact and likelihood assessment.
- Shared risks should be included on a joint risk register, each with risk owners.

Topic areas Governance System context Metrics

Hierarchy of decisions (cont.)

6 **Determine each organisations' risk appetite and agree on a risk appetite at a system level.**

- The risk appetite 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.

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.**

- Individual organisations are unlikely to be willing to take on risks that they can not influence but will want the benefits from those they can. This step should therefore support cases for risk share amongst the group.
- Some risks may not be shared as a result. Local teams need to agree an approach for risks that are wholly in one organisations control. Where this is the case, it may be most appropriate for the controlling organisation to retain the risk within that organisation.

8 **Identify target population for each project.**

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

9 **Agree baseline against which to measure perfor-mance.**

- 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 on 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 later, when the data is available. Page 4 set out what to do in this instance.

10 **Agree metrics for measuring performance.**

- The logic of the metrics should be tested to ensure that the selected metrics are appropriate for tracking performance.
- Consider the following when determining if metrics are appropriate:
  - Do partners have a high degree of influence / control over factors that effect performance?
  - Do necessary resources to take action exist or can these be developed?
- All organisations should agree on the metrics used and trust in those selected being an appropriate measure for the implemented projects.

Topic areas Governance System context Metrics

Levels of risk consideration

Project level

Risks within each project are allocated to areas of an organisation(s). This area will bear the risk of cost increases on that element of the project.

Organisation level

Each organisation takes on the risk of projects that they manage.

System level

Sharing risk between all organisations in the group on a basis that is agreed in advance. This has been put into practice successfully in Hertfordshire and is the suggested approach for BCF.

Sharing routes

There are a range of routes to saring risks and rewards. Whichever route is taken, these should be monitored quarterly to ensure they are still appropriate and achieving the desired results. The simplest routes to sharing are set out below.

Activity commissioned

A simple route to risk 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 BCF level down to a more detailed project level.

The logic being that the more activity an organization commissions, the more influence it has over the risks and rewards.

These approaches can be used in conjunction with each other for example, an overall risk share approach can be based on contributions to the fund, with certain areas carved out to share risk on an "activity commissioned basis".

Once it is determined which party has influence over a risk, it may become apparent that some risks are influenced by only one organisation. In this instance the group should consider whether it is appropriate to share this risk or whether it should remain with the organisation with influence

Pro-rata to contributions

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

Additional sources of information

- ✓ NHS England, "Additional support on risk sharing for the BCF" gives background to risk sharing including what risks to consider and how https://www.england.nhs.uk/ourwork/part-rel/transformation-fund/bcf-plan/risk-sharing/
- ✓ How to guides by Better Care Support Team https://www.england.nhs.uk/ourwork/part-rel/transformation-fund/bcf-plan/
  - How to- Lead and manage Better Care implementation.
  - How to- Bring budgets together and use them to develop coordinated care provision.
  - How to- Work together across health, care and beyond.
  - How to- Understand and measure impact.
- ✓ 2016/17 Better Care Fund Policy Framework https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/490559/BCF_Policy_Framework_2016-17.pdf
- ✓ Better Care Fund Planning Requirements for 2016/17 https://www.england.nhs.uk/wp-content/uploads/2016/02/annex4-bcf-planning-requirements-1617.pdf
- ✓ Monitor, "Multilateral gain/loss sharing: a financial mechanism to support collaborative service reform" provides further technical guidance https://www.gov.uk/government/publications/local-payment-example-multilateral-gainloss-sharing
- ✓ Monitor, "Multilateral gain/loss sharing: an introduction" https://www.gov.uk/government/publications/multilateral-gainloss-sharing-an-introduction
- ✓ Health Foundation, "On targets: How targets can be most effective in the English NHS" http://www.health.org.uk/publication/targets-how-targets-can-be-most-effective-english-nhs
- ✓ NHS England, "Local CQUIN Menu 2016/17" https://www.england.nhs.uk/wp-content/uploads/2016/03/lcl-cquin-indictr-links.pdf

This resource was commissioned by the Better Care Support Team at NHS England, and developed by KPMG, SCIE and PPL, in consultation with the following stakeholders.

Bruno Desormiere	Monitor	Pricing Development Manager
Carmen Colomina	SCIE	Practice Development Manager
Adiba Enwonwu	NHS England	Local System Delivery and Support Lead
Jess Heath	KPMG	Assistant Manager
Mark Hill	ADASS	Policy Officer
Scott Maslin	KPMG	Director
Luke McCartney	NHS England	Senior Support, Better Care Support Team
Oliver Mills	ADASS	Care and Health Improvement Adviser
Rosie Seymour	NHS England	Deputy Programme Director, Better Care Support Team
John Sheedy	NHS England	Finance Account Manager
Andrew Webster	KPMG	Public Sector and Health Director

Feedback

We would welcome your comments for improving this Risk Sharing quick guide.

Please feed back any specific comments to the Better Care Support Team at:

england.bettercaresupport@nhs.net

Questions

Anthony Kealy, Better Care Support Team

Emma Murray, KPMG

Bruno Desormiere, Monitor

Contact

Find the Risk Sharing Quick Guide on:

- The Better Care Exchange
  https://bettercare.tibbr.com
- SCIE website **www.scie.org.uk**

If you require support in developing risk sharing agreements, please contact your Better Care Manager at:

http://www.local.gov.uk/integration-better-care-fund/-/journal_content/56/10180/4096799/ARTICLE#bcmanagers

Department of Health

Department for Communities and Local Government

Local Government Association

NHS England

Risk Sharing

Webinar for BCF leads

14 March 2016, 3-4pm

The Better Care Fund