

Payments and contracting for integrated care

The false promise of the self-improving health system

Overview

- For thirty years, policy makers in the English NHS have attempted to devise financial incentive schemes to improve the performance of health services.
- Despite the disappointments, successive governments have remained convinced that their latest round of payment reform would finally create a self-improving health system.
- Over the last few years, the national NHS bodies have proposed new payment schemes to incentivise a single service provider or partnership of service providers to deliver high quality integrated care for local populations.
- There appears to be broad agreement amongst technical advisors on this way forward, including creating whole population budgets, new incentive schemes to reward providers for good performance and new arrangements to transfer risk and reward to providers.
- This paper questions whether these latest incentive schemes will be any more successful than their predecessors. There are significant unresolved difficulties in applying the type of incentive scheme developed for accountable care in insurance-based health systems to tax-funded health systems with state-owned providers and limited choice of provider.

What are the challenges for the NHS?

The English NHS will struggle to implement effective incentive schemes for new integrated health and care systems. One recurring challenge is how to measure the performance of health services as a basis for handing out financial rewards and penalties. As experience has shown, it is extremely difficult to devise metrics that effectively capture local health systems' overall performance and can be measured accurately in the short to medium term. Another recurring challenge is how to apply financial incentives effectively in public health systems. If the state withholds payments from underperforming health care providers, this makes it harder for them to deliver adequate services: the absurdity of punishing patients who have already been let down by risking even worse care.

An alternative approach

While English policy makers have gravitated to the payment schemes for integrated care in insurance-based health systems, other countries with tax-funded healthcare have been heading in a different direction. A number of these countries are now foregoing complex financial incentive schemes in favour of partnership arrangements between funders and planners and groups of service providers, with the focus on effective joint working to make best use of healthcare resources.

Commissioners and providers in many local health systems in England have also now started the transition from arm's length contracting to collaborative relationships. While these arrangements are at an early stage, there is emerging evidence of the benefits. Organisations across local systems are working together as a single team and resources that would in the past be consumed by contracting are now being used for improvement.

To read the full report, *Payments and contracting for integrated care: The false promise of the self-improving health system*, please visit www.kingsfund.org.uk/publications/payments-contracting-integrated-care

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