

Risk Sharing *Quick Guide*

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Risk Sharing Guide

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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

- 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?
- The time pressure to agree the risk shares and put these arrangements in place is very tight.
- 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.

Next steps to overcome challenges

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 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.

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.





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



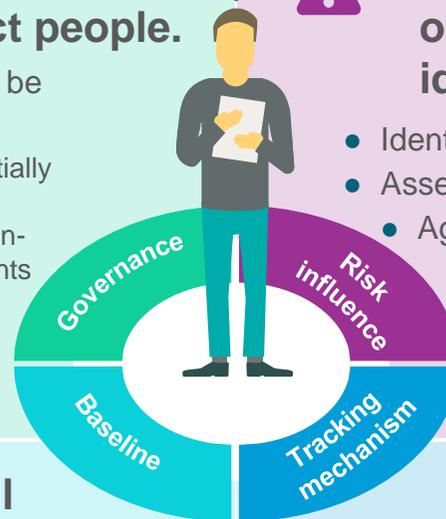
Create the correct governance structure, involving the correct people.

- 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

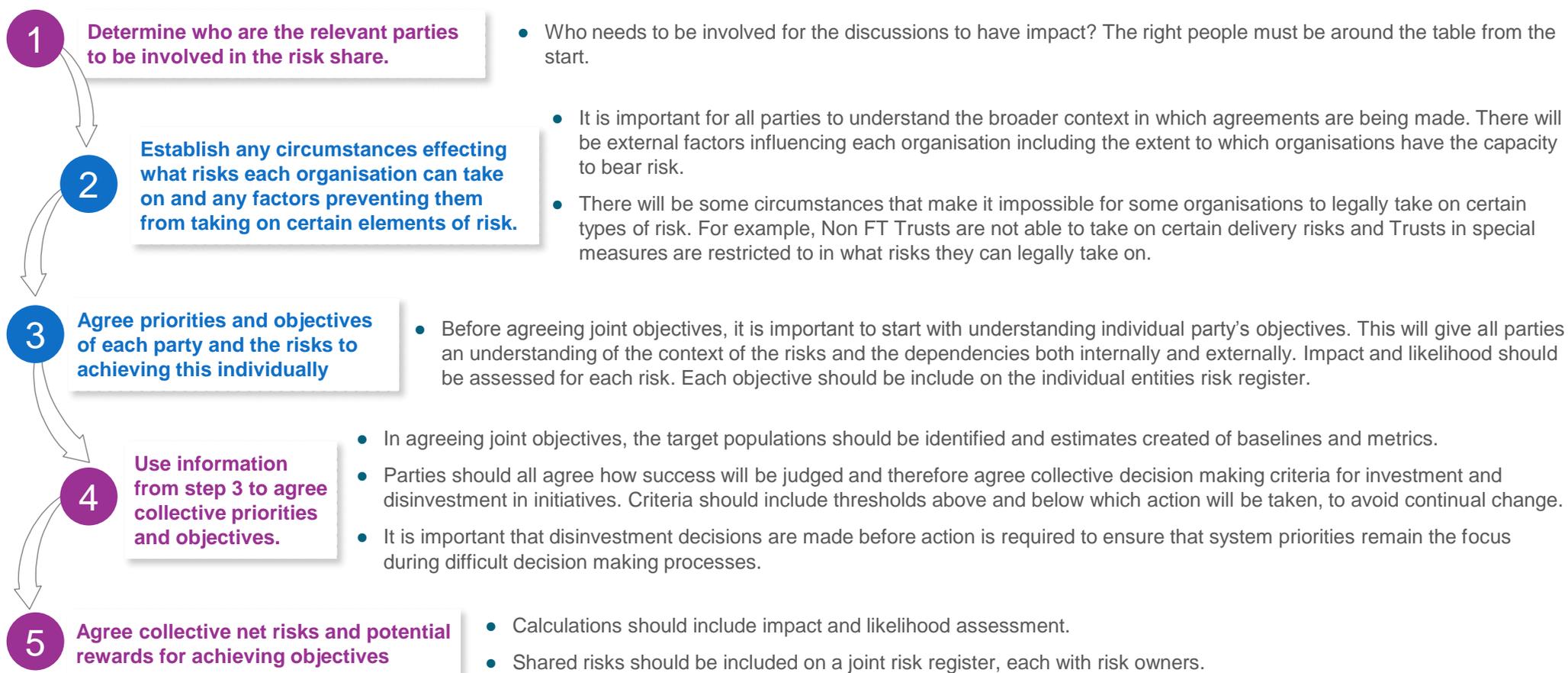


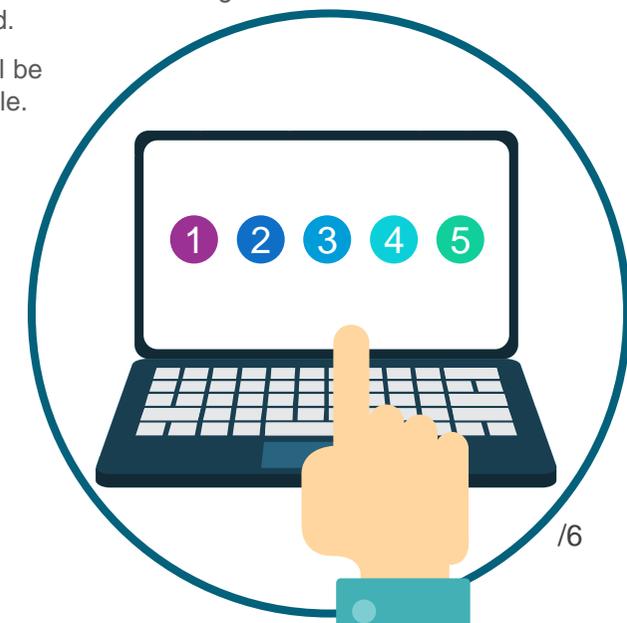
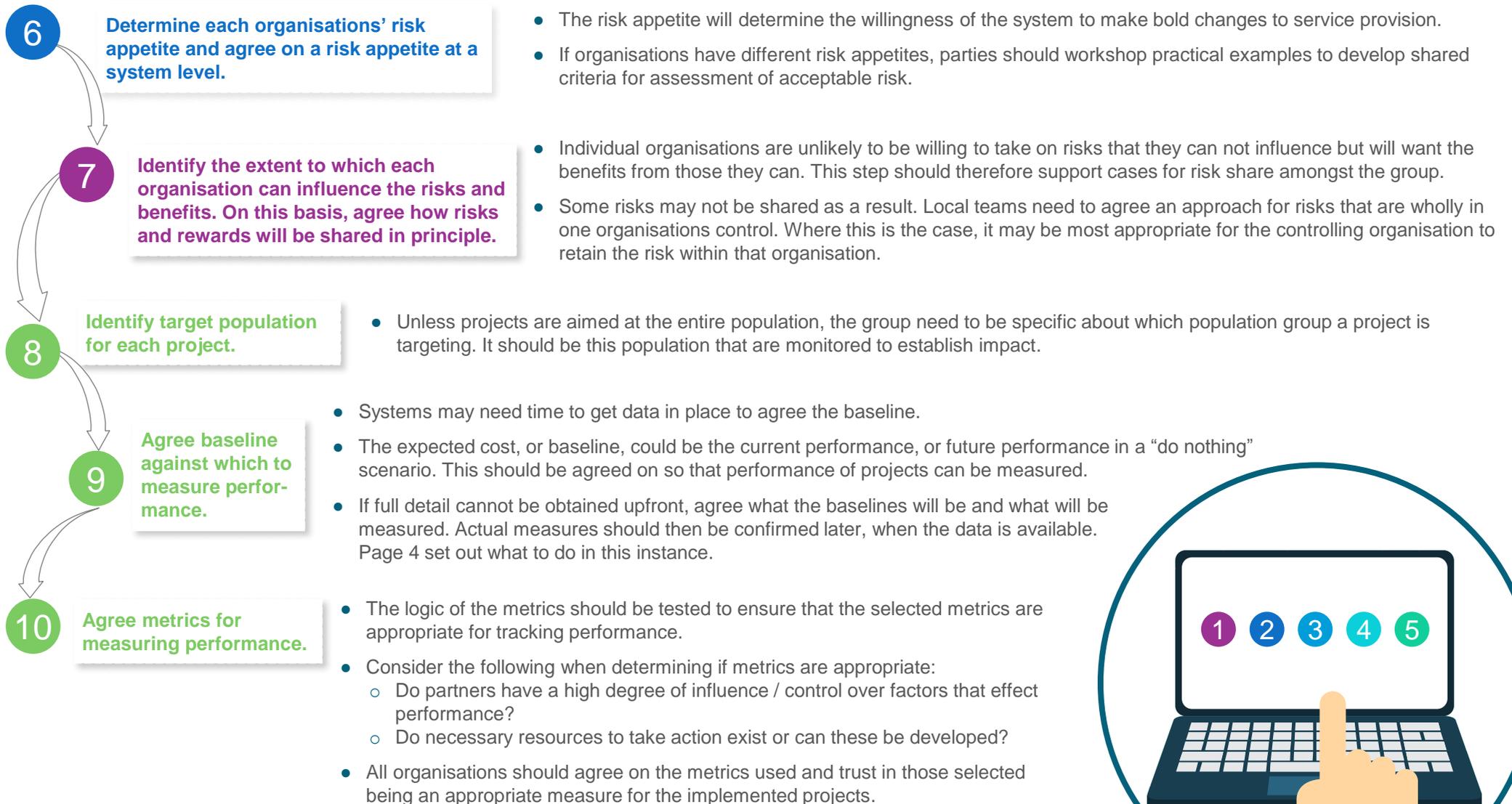
Enable the HWB to reliably track performance.

- 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.







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 sharing 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>

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

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