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## The integration funding challenge

One of the thorniest issues facing those charged with establishing integrated care systems is getting the funding model right. In fact, it's not overstating the case to say that delivering the unquestioned potential of ICSs to transform the way services are provided to citizens will stand or fall on how well this is done.

There is broad agreement on moving away from the internal market-based competitive model to something more collaborative and holistic but what should that something be? Pooling the resources of every agency associated with an integrated system doesn't increase the size of the overall pot and there is almost no financial headroom in the system to fund the improvements we need.

Last year, driven by COVID-19, there was a dramatic move away from the tariff-based payment mechanisms that have characterised the hospital and community healthcare internal market for the last 17 years.

Last November, in a guest GGI bulletin on the subject, Jacque Mallender of Economics by Design commented: "The pandemic prompted an accelerated move to financial performance being monitored at system level, with commissioning budgets aggregated for the ICS. For hospital and community healthcare providers, there has been an immediate move to block contracts based on rolling costs.

"The transition to a new payment system for ICS has happened faster than anyone anticipated at the start of the year – and there will be no going back."

We noted then that NHS England was due to announce the results of a consultation on payment models. Given the extraordinary events of the last couple of months, it's hardly surprising that this announcement has still not been made. We now know that current arrangements will continue at least until the end of the first quarter of 2021/22.

COVID might explain the delay in this announcement but it also underlines the importance of making the right decision. The pandemic has highlighted disparities in underlying health inequalities and outcomes around the country – as well as in approaches to place and population health. It has re-emphasised the need for more efficient coordination of care and exposed the fragility of the relationship between health and social care.



## Do not dilute the NHS

We regularly hear ICS leaders talk about using collective funds to improve social care. Of course this is necessary but resource integration comes with risks. The NHS exists to deliver treatment; its resources should not be used to pay for underfunded social care. Rather than diluting the health service's resources, health and social care leaders should be lobbying hard for improvements in social care funding.

For months now, NHS leaders have been making decisions – quite rightly – to prioritise COVID patients in hospitals over less immediate needs. But those non-COVID needs aren't going anywhere and many of them relate to serious life-threatening conditions. The NHS must be funded appropriately to deal with this backlog; its resources must not be watered down.

Integrated care is not about pooling budgets, it's about using resources collaboratively. For all its challenges, the NHS is less chronically underfunded than local government. The task facing all public sector leaders is to ensure there is sufficient overall funding in the first place.

As Jacque wrote in November, it's also crucial that the relative value contribution of services across the system are properly mapped out and agreed, so it's clear how investing in one area can affect the whole value chain.

This will be easier to do if there is a shared vision and a shared understanding of the problems. It will also be easier if there's total financial transparency and all the costs to all of the agencies are properly understood.

## Illuminations

- The new funding model must not be allowed to turn into a push for integrated care systems to subsidise local authorities.
- Desirable though it may be to have a single payment mechanism formula, there isn't one – and nor should there be. ICS leaders must be allowed the flexibility to use whatever blend of payment mechanisms fits their system best. Funding decisions should be based on place-level – even neighbourhood-level – needs. We should not try to impose a system-wide solution to everything.
- Leaders need better information on the whole value chain across their systems. Making informed and enlightened budget decisions depends on better understanding the effect of spending at one end of the chain on the other.

If you have any questions or comments about this briefing, please call us on 07732 681120 or email [advice@good-governance.org.uk](mailto:advice@good-governance.org.uk)