

## Commissioners must start redesigning services to ensure real savings, MPs say

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A reliance on reductions in hospitals' price tariffs to drive NHS efficiency savings is offering commissioners a "cop-out" from redesigning services and will not improve the effectiveness and quality of NHS healthcare, MPs have warned.

In a report launched on 19 March, the Commons health select committee said changes in tariff payments did not constitute true "efficiency savings" and would result in efficiency gains for the NHS only if providers changed the way care was delivered as a result.

The committee's chair, Stephen Dorrell, said tariff reductions merely served to transfer responsibility away from commissioners, who should be taking centre stage in the "process of service re-imagination."

The committee's annual report into public expenditure on health and social care services highlighted that the government had achieved the bulk of its efficiency savings to date through reductions in tariff payments and freezes in pay.<sup>1</sup>

In 2011-12, £2.4bn (€2.8bn; \$3.6bn) of the £5.9bn target was achieved through tariff reductions, while £850m was achieved through freezing staff pay. The government anticipates making the same savings in 2012-13.

But MPs said that current measures for tackling the "Nicholson challenge"—the NHS's target of £20bn savings over a four year period—were too focused on "short-term fixes rather than the sustainable long-term service transformations."

The committee said it would be "increasingly difficult" for the NHS to generate health savings in future years and said commissioners must focus on achieving "a transformation of care through genuine and sustained service integration."

Launching the report, Dorrell said: "We have received little evidence to suggest that the tariff is being used intelligently to drive service transformation and greater integration."

"It [tariff reduction] tends to have an undesirable effect of first of all encouraging salami slicing of individual providers rather than imaginative system redesign, and it gives the commissioners a cop-out, whereas the commissioners actually ought to be stage centre in the process of service re-imagination."

The committee added that it was "neither prudent nor just to plan for sustainable efficiency on the basis that NHS pay will continue to fall relative to pay elsewhere in the economy."

MPs also recommended that rules restricting the use of reserves by NHS providers should be abolished to allow providers to invest the money to drive service change, rather than see the money being clawed back by the Treasury.

The report concluded: "Unless significant steps are taken to plan now for service redesign and integration, a significant opportunity to improve the effectiveness and quality of NHS healthcare will have been missed."

Mike Farrar, chief executive of the NHS Confederation, said: "We need to look beyond the short term options and consider more radical solutions that will improve care in the long term and allow us to manage the resources we have on a sustainable basis."

Chris Hopson, chief executive of the Foundation Trust Network, said: "NHS providers are often the most inventive part of the NHS because they're at the front line: talking with other local health and social care providers every day and working out better ways to integrate care around individual patients."

"This work is often overlooked but is exactly the improvement the Health Committee calls for and we now need to ensure that commissioners and providers across health and social care sit down together to support these new approaches to give patients more efficient and better care."

John Appleby, chief economist at the King's Fund, said: "As the report points out, pay restraint and holding down prices paid to hospitals are no substitute for delivering genuine productivity improvements."

"Despite high level political commitment there has been a lack of urgency in developing integrated care—this now needs to happen at scale and pace. Major reconfigurations of hospital services are also needed to improve the quality of care and increase financial sustainability."

1 House of Commons Health Committee. Public expenditure on health and care services. Eleventh report of session. Vol 1. 2012-13. 2013. [www.publications.parliament.uk/pa/cm201213/cmselect/cmhealth/651/651.pdf](http://www.publications.parliament.uk/pa/cm201213/cmselect/cmhealth/651/651.pdf).

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