# Development of the Accountable Care Organisation approach in North Tyneside

## 1. Purpose of the report

1.1 This paper sets out the updated position on the development of an Accountable Care Organisation (ACO) approach, the purpose of which is to ensure the long term financial stability of high quality health services for North Tyneside residents.

1.2 Members of the Heath and Well Being Board are asked to note the context and work to date on

- the development of an Accountable Care Organisation in North Tyneside,
- the establishment of the ACO Programme Board and
- the challenging work programme ahead to deliver the ACO approach in the timescales required.

## 2. Context

2.1 The context of the Accountable Care Organisation approach was set out in detail in the paper to the Health and Wellbeing Board in October 2015.

2.2 North Tyneside CCG (NTCCG) was created as a statutory organisation in April 2013 and is now in its third year of operation. The CCG has faced a number of challenges since its inception and during 2014/15 recorded a financial deficit of £6.4m. As a direct consequence, the CCG is now in formal financial recovery.

2.3 North Tyneside CCG is fortunate in commissioning from a range of excellent providers, its main contracts being with:

- Northumbria Healthcare NHS Foundation Trust (NHCFT) - £102.9M acute, £25M community;
- Newcastle Healthcare NHS Foundation Trust (NHFT) - £59 acute, £0.9m community;
- Northumberland Tyne and Wear NHS Foundation Trust (NTW) £21.8m;
- North East Ambulance Service (NEAS) £6.8m.

In addition NTCCG commissions a range of other services jointly or with the Local Authority.

2.4 Taking the local health economy as a whole, there appears to be sufficient health funds for sustainability, but a growing elderly population and year on year efficiencies in social care mean that care models and pathways need continuing development to move more care away from hospital facilities and provide much more person-centred and integrated services closer to home.

2.5 The CCG has further considered the options for commissioning affordable and sustainable quality health care that is fit to meet the future needs of its communities and has concluded that it should now develop the concept of commissioning services through an Accountable Care Organisation, appropriate for North Tyneside. If approved, the CCG will aim to develop a memorandum of understanding to operate in some form of shadow arrangement for 2016/17 with full system sign off and model evaluation complete for April 2017.

2.6 In November 2015, the Kings Fund report 'Place based systems of care - a way forward for the NHS in England' which challenges and sets out the requirements for sustainable health care for the future. The NHS planning guidance due at the time of writing this report anticipates that this will feature heavily in planning requirements for the future. Key messages include:

- Providers of services should establish 'place-based systems of care' in which they work together to improve health and care for the populations they serve

- Commissioning in the future needs to be both strategic and integrated, based on long term contracts tied to the delivery of defined outcomes to support the development of place-based systems of care

- Collaboration through place-based systems of care offers the best opportunity for NHS organisations to tackle the growing challenges they face

- Place-based systems of care offer short and long term solutions to the challenges facing the NHS. In the short term they provide a way for local health services to work together to tackle immediate financial and service pressures. In the longer term they provide a platform for implementing radically new models of care across England with the aim of improving population health and wellbeing

- In describing the Whole Systems Model the Kings Fund report comments: '*It will, however, require organisational leaders to surrender some of their autonomy in pursuit of the greater good of the populations they collectively serve, and national leaders to act urgently to enable systems of care to evolve rapidly*.' Ham (2015, p.4)

## 3. What is an ACO?

3.1 The term ACO is used to describe a whole range of managed care options which mean different things to different people. For the purposes of its deliberations and for clarity, the CCG has taken the following description:

'*The basic concept of an ACO is that a group of providers agrees to take responsibility for all care for a given population for a defined period of time under a contractual arrangement with a commissioner:*

- Accountable: the ACO model is based on the premise that those who are accountable for the cost and quality of care for a whole population will be incentivised to improve care. Accountability refers to both clinical and financial accountability – the ACO is contracted to achieve on a range of quality and outcome measures, typically within a defined budget.
- Care: an ACO delivers care; it doesn't commission it. This is how it can minimise its risk, by taking control of the way care is delivered for a whole population. The ACO is able to develop and deliver preventive interventions for patients with a high-risk profile, as well as reactive interventions to avoid unnecessary hospital admissions.
- Organisation: to organise and deliver this care, accountable providers come together in a formal organisational structure. It is through this structure that the ACO is able to build a leadership team and appropriate governance arrangements to manage risk across diverse providers, holding them to account for their part of the care pathway. If part of the organisation is not performing well, leaders have a range of structures and mechanisms at their disposal to incentivise improvement.

3.2 The CCG has considered alternative arrangements that have been/are being considered elsewhere including a 'simple' primary and acute care system (PACS), multispeciality community provider (MCP), prime contracting, appointing a prime system integrator and alliance contracting (not amounting to an ACO). Whilst these all have merits, the imperative to rapidly bring the CCG and the local health economy into financial balance, makes their consideration in detail difficult within the required time frames.

## 4. North Tyneside CCG Principles

4.1 Discussions within the CCG Governing Body and loose testing with its membership and the local authority, have formulated some key principles to guide the development of an ACO commissioning model:

- As a statutory member organisation, the Council of Practices (CoP) must be fully engaged in the development of an ACO commissioning model and constitutionally approve the final proposal
- North Tyneside Council and key partner endorsement is vital both to the success of the approach and to minimise the very real risk of challenge
- The CCG will commission for health outcomes through a capitated funding contract with the ACO (as defined above)
- Form should follow function, but the ACO should comprise all main service providers (including primary care), committed to working in partnership to agreed values in some form of alliance approach. Service integration and the delivery of care 'closer to home' will, in the CCG's opinion, only be achieved through joint ownership and collective responsibility

- The CCG is aware of ACO development in Northumberland and will use their thinking to test-bed the benefits and disadvantages of the CCG's preferred ACO approach
- The ACO will appoint (with CCG agreement) a lead provider to act as system integrator and day-to-day manager of the ACO and its functions. It is likely for capacity and risk avoidance reasons that this will be one of the large Foundation Trusts.
- The CCG will significantly reduce its overhead costs by devolving transaction responsibilities to the ACO and potentially through co-commissioning with North Tyneside Council, NHS England, or another CCG
- The ACO approach is new to the UK, has had mixed success internationally (including, for example, early cost containment followed by overheat) and is untested for challenge by other bodies as anticompetitive/monopolistic. It is imperative therefore that risks are fully assessed and mitigated and that early intervention measures are agreed as part of the sign off process with NHS England

## 5. Timescale and Outline Programme of Work

5.1 To ensure the CCG discharges its statutory duties, complies with its Constitution and minimises the risk of challenge, there is a significant and ambitious programme of work to be undertaken both to April 2016 and to April 2017.

5.2 An ACO Programme Board has been established to oversee this work, co-chaired by the CCG and the CEO of the LA and with members from key partner organisations. Membership of the ACO Programme Board is given in Annex 1.

5.3 At its first meeting in early November 2015 the ACO Programme Board approved the Project Initiation Document, the Programme Management approach and the establishment of four inter-related work streams:

- ACO development
- CCG development
- Legal and regulatory
- Stakeholder engagement and communications

Membership of the ACO Programme Board work streams is given in Annex 2.

5.4 **Phase 1 September 15 – March 16**: Determining the feasibility of establishing an ACO and what it (and the revised CCG) will (and will not) look like with a view to agreeing a Memorandum of Understanding (MoU).

5.5 **Phase 2 April 16 – March 17**: Developing the detail of the ACO. Towards the end of the year a decision will be made on whether the ACO should 'go live', with transitional arrangements implemented if necessary.

## 6. Conclusion

6.1 This paper sets out the context, principles and approach for the establishment of an ACO commissioning model for North Tyneside and describes the work to date.

6.2 It is an ambitious programme which the CCG's external advisors believe is extremely challenging and not without risk. The CCG commits to delivering an ACO approach in shadow/pilot form by April 2016 if at all possible. This will require appropriate resource, the full cooperation of, and inevitable compromise from, provider partners, the agreement of other key stakeholders and authorisation from the CCG's membership and NHS England.

## 7. Recommendations

Members are asked to note:

7.1 the work to date on the development of an Accountable Care Organisation in North Tyneside

7.2 the establishment of the ACO Programme Board and work streams

7.3 the challenging work programme ahead to deliver the ACO approach in the timescales required.

## 8. Annexes and further information

Annex 1 – ACO Programme Board membership
Annex 2 – ACO workstream membership

Five Year Forward View. NHS England, November 2014

Kings Fund report: 'Place Based Systems of Care' November 2015:
http://www.kingsfund.org.uk/publications/place-based-systems-care

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