20 WAYS TO BEND THE NHS COST CURVE

Healthcare spending continues to increase year on year, but as we all know, there is also a requirement from the DH to do more with less. Getting additional income is on one side of this coin, but cost containment is on the other. So how do we bend the cost curve downwards?

CIP is the main way to do this and it's a good discipline for us to have an annual efficiency target, but there is another way to look at the control of costs...

THE big challenge

I believe looking at waste is THE next big challenge for NHS finance professionals and their clinical colleagues.

International studies have estimated that as much as 30% of all healthcare spending is essentially waste, being either unnecessary or inappropriate spending. A frightening figure indeed.

However, this estimate is based on publicly and non-publicly funded healthcare systems and wastage in the NHS is likely to be much less than, say, in US healthcare where physician costs and insurance company profits can be eye-watering.

Types of wastage

There are commonalities in wastage though and in a 2009 white paper Thomson Reuters broke these down into 6 categories:

- Administrative system inefficiencies
- Provider inefficiency and error
- Lack of care coordination
- Unwarranted use
- Preventable conditions and avoidable care
- Fraud and abuse

An American healthcare consultancy, McManis Consulting, analysed these down further into '**25 factors having the greatest impact on healthcare costs**'. Some of these factors are not applicable to the NHS so I've not included them here, but the 20 listed out in the table below are worthy of consideration:

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Inertia & resistance to change	Advances in medical technology
Fraud	**Slow application of clinical IT**
Poor quality of care	Lack of care coordination
Obesity	**Fragmentation of care**
Uneven access to care	Management of outpatient costs
Movement of costs	**Inconsistent management of patients with chronic conditions**
Unrealistic expectations of patients	Medical malpractice
High levels of staffing	**Aging of the population**
Capital investment in estate	Inappropriate and unnecessary care
Complexity and high overheads	
End-of-life processes	

McManis then went further and tried to identify major initiatives that could be put in place to address these factors. Again, many of these initiatives concern the US healthcare system, but there are some learning points for the NHS (in no particular order):

1. **Focus on the management of people suffering from chronic diseases and also cohorts of people who are likely to become chronically ill.**

There's a degree of prevention involved in this, but also more effort needs to be put into encouraging patients to adhere to clinical guidelines and thus effectively manage their conditions.

2. **Reduce administration costs**

This is a tricky one because the NHS is a complex system and clearly there needs to be a degree of administration, but anyone who's spent any time in an NHS back office function (finance, HR etc.) knows there's loads of stuff being recorded for no reason, stuff recorded on paper and so on and so on. Every time any of us carries out a repetitive task we should be asking ourselves, how could I automate this?

3. **Expect more from the patients**

People don't end up in hospital by mistake. There's always a reason they come and mostly that reason is in their control. Obesity and smoking are 2 of the biggest challenges we face. It's our job to educate people to help themselves.

4. **Improving end of life care**

For most people, the NHS spends the most amount of money on them at the end of their life. Finance departments should be examining the make-up of this spend. There must be ways it can be provided more effectively.

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