Technical briefing

Outcomes-based commissioning and contracting

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Introduction

Commissioners face a number of challenges but fundamental to their purpose is the question of how people benefit from their activities. However, determining exactly what that benefit is may be harder to discern. For example, what are the social gains that communities receive from their social investment; do commissioners focus too much on the outputs from their investments and the processes to be put in place to ensure such outputs are delivered rather than on the outcomes to be achieved; how do we measure whether people feel that the service they received has achieved the outcomes that they would have anticipated? Table A (see below) indicates this distinction between outcomes, outputs and processes in terms of commissioning and contracting.

There is an increasing recognition from commissioners, frontline staff and those using services that focusing on outputs and processes may not necessarily serve communities well. The best providers argue that this focus stifles their creativity and ability to respond in meaningful ways to those most in need. Commissioners recognise the lack of a relationship between services provided and the desire to make improvements and gains in the quality of people's lives. All criticise indicators as not getting to the nub of what they ought to be measuring but find it hard to come up with effective and easy to measure alternatives. Commissioners, charged with the need to deliver best value and sometimes operating without a strategic commissioning vision, still tend to be resource focused and concentrate principally on inputs, throughputs and unit costs.

In essence our current system of commissioning and contracting relies on outputs being reliable proxy indicators that outcomes are being delivered. Increasingly there is unease that the gap between outcomes and outputs has widened and the assumption that services provided equate with outcomes delivered is being challenged.

The approach that several people hold up as the solution is outcomes-based commissioning and contracting (OBC&C), a method of working and accountability that differs significantly from traditional commissioning.

This paper summarises the basis for moving towards commissioning and contracting for outcomes and considers the issues likely to affect this approach.

Background

OBC&C is well established in developing drug and alcohol services in the US, UK and Australia.

A number of organisations have been working to support commissioners to develop OBC&C frameworks in the UK. However, much of this work has been piecemeal and

Table A

	Outcomes	Outputs	Processes
Commissioning	Defining the overall strategic direction and targets for a range of provision through the benefits that will be delivered to the people and/or community the commissioning organisation serves.	The range of services that will be purchased, and for which groups of people.	The processes by which the services required will be delivered.
Example	"We will diminish the proportion of people coming into care homes with a continence problem."	"We will decrease the number of care beds used by the authority."	"We will de-commission 'Sunnyside'."
Contracting	Defining the investment to be made with a particular organisation in terms of the outcomes it will deliver to the people with whom it is contracted to serve.	Purchasing volume or amounts of provision in anticipation that it will meet need.	Defining the routes and mechanisms by which individual services will be delivered.
Example	"Care services will ensure that less than 10% of the population they serve will have an untreated continence problem."	"Care services will provide a specialist continence service."	"Care services will provide a continence clinic on a Thursday."

inadequately resourced and consequently has failed to give the necessary impetus for real change. This work has not stemmed from any central government imperative so there have been no mechanisms to bring results back to a national forum in order to influence wider change. Sometimes this work has not been able to embed itself in the fibre and core of organisations seeking to make the change; in other instances providers have not fully understood the implications and consequently failed to change their approach to service delivery. Nonetheless much has been learned and this learning could be drawn together in a concerted effort to drive change.

It now feels, given the aims and objectives of the white paper *Our health, our care, our say*, and the overall direction of policy, that it would be timely to explore whether an outcomes-based approach can be developed and sustained. Such an approach would need to take into account the implications for joint commissioning between health and social care and the wider agenda that local authorities (including housing, leisure, life-long learning and others) have for wellbeing. The forthcoming Department of Health joint commissioning framework would be an ideal vehicle to support this direction of travel.

The case for change

The public sector mindset is traditionally one of being a funder. The funder focuses less on the consequences of funding and more on the act of giving out money. Money is allocated in an efficient manner to meet a range of needs and purposes that are more or less defined by statute.

Over the years contracting managers and their purchasing teams have shaped behaviours through such devices as defining inputs, setting output targets, unit costing and lowest price. This has largely served the purpose of controlling expenditure but allowed providers (and commissioners) to ignore an obligation to establish a clear measurable relationship between the outcomes to be achieved and the outputs and processes put in place to deliver them.

Regulators, inspectors and monitoring groups reinforce these behaviours by focusing on compliance standards and activity-based performance measures, (such as how many people, for how long a time) rather than asking the very simple question such as 'Did the person get better and can this be attributed to the activities of the organisation that was funded to achieve this outcome?'. The combined impact of this has shaped provider expectations and behaviours into input and activity-based thinking, whilst forcing out accountability and innovation.

Government, in both the national framework *Every Child Matters: Change for Children* and *Our health, our care, our say*, has defined high level outcomes for these policy initiatives. They appear to indicate a willingness to help commissioners move from their intensive scrutiny of inputs and outputs to a focus on outcomes or results for the people who are served. If we truly wish to involve communities (and communities of interest as subsets of those communities) and people using services in the way services develop, then we need to find ways of helping them understand better what they are getting for their money – the social gain for their social investment. At an individual level there are indications that government wants people to be empowered and to be able to make choices. This at least partly relies upon people being able to express the outcomes that they want for themselves. Finally, there is a growing acceptance that public sector services should be run more like businesses, both in financial terms but also in accomplishment of their mission. Judging success by outcomes is a far more business-like approach than judgement by outputs or processes.

The key benefits of any outcomes-based system can be found in the following areas:

- Tax payers' accountability for results
- The market managed on a basis of outcomes and customer value
- Alignment and consolidation of performance targets and indicators
- Acceleration of knowledge based practice and innovation.

It is also worth mentioning that in systems that have started to move to OBC&C there is some evidence that staff satisfaction and retention is higher as a result.

There is also a belief that if OBC&C systems are not put in place then it will be more difficult to:

- Create a level playing field in the market place between providers;
- Develop true results-based costs;
- Speed up public sector modernisation;
- Move to double devolution; and
- Focus investment on health and social inequalities.

What is outcomes-based commissioning and contracting?

OBC&C can be defined as any commissioning that links outcomes to investment. It moves the focus to results that may be achieved for individuals served by programmes and services and can be applied at a commissioning or a contracting level. However, as Table A shows, there is a clear distinction between outcomes-based commissioning (the overall setting of strategic goals) and outcomes-based contracting (the individual arrangements with any one provider about how they will deliver the outcomes that have been negotiated between the purchaser and those with whom they are contracting).

In terms of commissioning, moving to an outcomes-based approach means greater clarity about what commissioners are trying to achieve for the populations they serve. What is

Table B

Inputs	Outputs	Outcomes
Number of people who attend for training	Number of people who complete training	Number demonstrating changes in knowledge, attitudes and behaviour
Number of people starting drug treatment	Numbers completing at 12 weeks	Number stopping or reducing drug use
Number of people who require affordable housing	Number of housing units created or rehabilitated	Number of people living in improved housing and staying current on rent payments
Number of people terminally ill	People receive treatment	People die with dignity where they wish (for instance at home) and with minimal pain
Number of people who sign up for job finding course	Number of people who attend and complete course	Number of people who obtain jobs and are still in them after one, six and 12 months, and display greater confidence and independence

the rationale that underpins that clarity, and what is the evidence base for potential service provision that will demonstrate that outcomes can be achieved by particular interventions? An outcomes-based approach may also review past success in terms of the match between service provision and the demonstrable impact such provision has had on the outcomes it attempted to achieve.

In terms of contracting or procurement then Table B (see above) identifies a range of outcome currencies.

Usually, an outcome target is expressed in terms of specific changes in condition, behaviour and satisfaction for the people receiving the service or programme. In the OBC&C framework the purchaser must be clear about the results they seek to achieve from their investment and will select providers best able to demonstrate that their methodologies and ways of providing the service will deliver them. The providers must be able to be specific - from the number of people they anticipate helping, to the individual outcomes that they agree with service users. The provider is responsible for setting and delivering the outcome targets and also for agreeing with the commissioner the method of verification or outcomes monitoring. Targets may be established on the basis that they should improve month-on-month, year-on-year or funding period by funding period. There is a clear need to give support to providers as much as to purchasers in moving to this position.

The contract is tracked on the basis of the number of people who reach the actual changes and gains whilst they are in receipt of a service or following a care plan. This can equally be applied for those for whom wellbeing and dignity is maintained or improved in ways that are defined and recognisable.

In mature outcomes-based contracting relationships the outcomes can be linked to investment and be used to reward performance. However, if done too early this can provoke gaming behaviours similar to those found in activity funding frameworks. There is a need for commissioner, provider and user to become comfortable with the outcome and results focus.

The way forward

If we are to take this opportunity to introduce outcomes-based commissioning it must be seen as a mainstream approach that can influence significant investments between health and social care. Commissioners will have to lead and be the key agents for change.

The new DH joint commissioning, social care and wellbeing framework could be set in an outcomes framework that focuses on results for patients, users and carers. This would echo the white paper *Our health, our care, our say*. The framework may:

- Support the white paper vision of improved health, independence, wellbeing and choice;
- Signal encouragement for an investor approach that looks more at return on investment in terms of health and social gains;
- Support commissioners and providers to develop OBC&C through the implementation of large scale prototype projects that will link investment to results across a number of key areas. Services that could present excellent opportunities to learn from this approach include: children's services (jointly with Department for Education and Skills to demonstrate cross-governmental thinking and working); mobility services (across health, social care and housing); community mental health services (across all sectors dependent on focus); and health and wellbeing (again with cross-cutting themes linking practice-based

commissioning with other key functions in local authorities and job finding services etc.);
- Provide training to promote investor clarity and specify the results to be achieved from any intended investment, whether individual or programme based;
- Close the democratic deficit between the NHS and local government by making commissioners/investors accountable to local populations for the return on investment in terms of health and social care gains.

The DfES has shown an interest in supporting any initiative that focuses on children's services and the Welsh Assembly has shown interest in running a part of any programme that may develop, with appropriate funding.

We believe the case for outcomes-based commissioning is no longer whether it should be used, but how leaders and managers should go about implementing the approach. Outcomes–based commissioning must be seen as an innovation, defined as something that will out-perform current practice. It has the power to transform the way we do business in the public sector. But it will require high level support across systems, including support for legal and finance teams, local political leaders, staff and providers, as well as new definitions and changes in behaviour, to make it work.

This paper is presented by Nigel Walker, programme manager for commissioning within the Care Services Improvement Partnership in the DH. It has been written in collaboration and consultation with leaders in the field of outcomes-based development: Peter Mason, managing editor, Commissioning News; Rob Williams of Creative Partnerships; Professor Andrew Kerslake of the Institute of Public Care at Oxford Brookes University; and with the support of Lucianne Sawyer, who organises the Outcomes Nework (an offshoot of the Better Commissioning Network) and Janet Crampton, commissioning lead for the NE, Yorkshire and Humberside CSIP Regional Development Centre. This group proposes working up a more thorough funding proposal, if that is required.

Appendix 1 – Implications for key stakeholders

The implications of introducing a true outcomes framework for key stakeholders.

Stakeholders	Implications
Local government and PCT commissioners and contracting teams	Joint commissioning and investment teams linked through public health to establish local outcomes-based commissioning and investment plans and contract mechanisms. Market management to reward outcomes of service systems. Develop joint investment planning with local PBC clusters and joint commissioning teams to integrated health, social care and wellbeing investments. Link individual and programme budgets. Service and programme portfolio data management for benchmarking. This does not exclude separate commissioning arrangements and may not cover all areas in the short-term.
Providers of services	Responsible for responding to outcomes-based call for investment, setting outcome targets, verifying their achievement and being monitored on the basis of outcomes and impacts. Ensuring that individual outcomes are met and innovating to ensure high performance.
Users, carers and patients	Individual budgets would operate within a personal or programme outcome care planning framework. Users would be required to give feedback on quality, satisfaction and outcomes achieved for self or others.

Appendix 2 – Outcomes-based commissioning and contracting vision and principles

- The market operates within an outcomes-based commissioning and contracting (OBC&C) framework.
- The language of outcomes firmly underpins contracts. The distinctions between inputs, outputs and outcomes is widely accepted.
- Providers take responsibility for stating what they will accomplish for the people they serve and for showing evidence of those changes in behaviour, condition and satisfaction.
- Users, patients and carers can express individual outcomes to be achieved and be party to the verification process that had been achieved.
- The key question shifts from 'how many people did we get into services/treatment' to 'how many people benefited and how does that compare with what was projected?'
- Investors (commissioners) and providers, whether private, public or not-for-profit, see themselves as active partners, recognising their relationship as a symbiotic one - each party depends on the other for success. Finger pointing and adversarial tensions and competition are severely reduced as mutual cooperation becomes the main mechanisms to integrate the system.
- Investment decisions clearly take into consideration past data on outcomes achieved and are seen as fair and equitable.
- Contracts have modest increases to ensure that providers put in place outcome monitoring systems that give them usable data to manage their services and to treat their clients.
- Commissioners are investors, rather than funders who passively fund year-on-year, seek a return on investment and have proof that they have delivered this for taxpayers.
- Commissioners are held to account for their public promises and the return on investment they bring about in terms of health and social gains.