



Performance management in an ABF environment



Welcome and introduction

Presented by: Alfa D'Amato

Agenda

Time	Item	Presenter
9:00	Welcome and introduction	Alfa D'Amato
9:10	Principles of performance management	Malcolm Lowe-Lauri
9:30	Elements of performance management (including discussion)	John Pilla
10:30	Break	
11:00	Case study 1	John O'Connor
11:25	Case study 2	Malcolm Lowe-Lauri
11:50	Closing discussion	Panel
12:00	Workshop close	



Introduction and purpose of the workshop



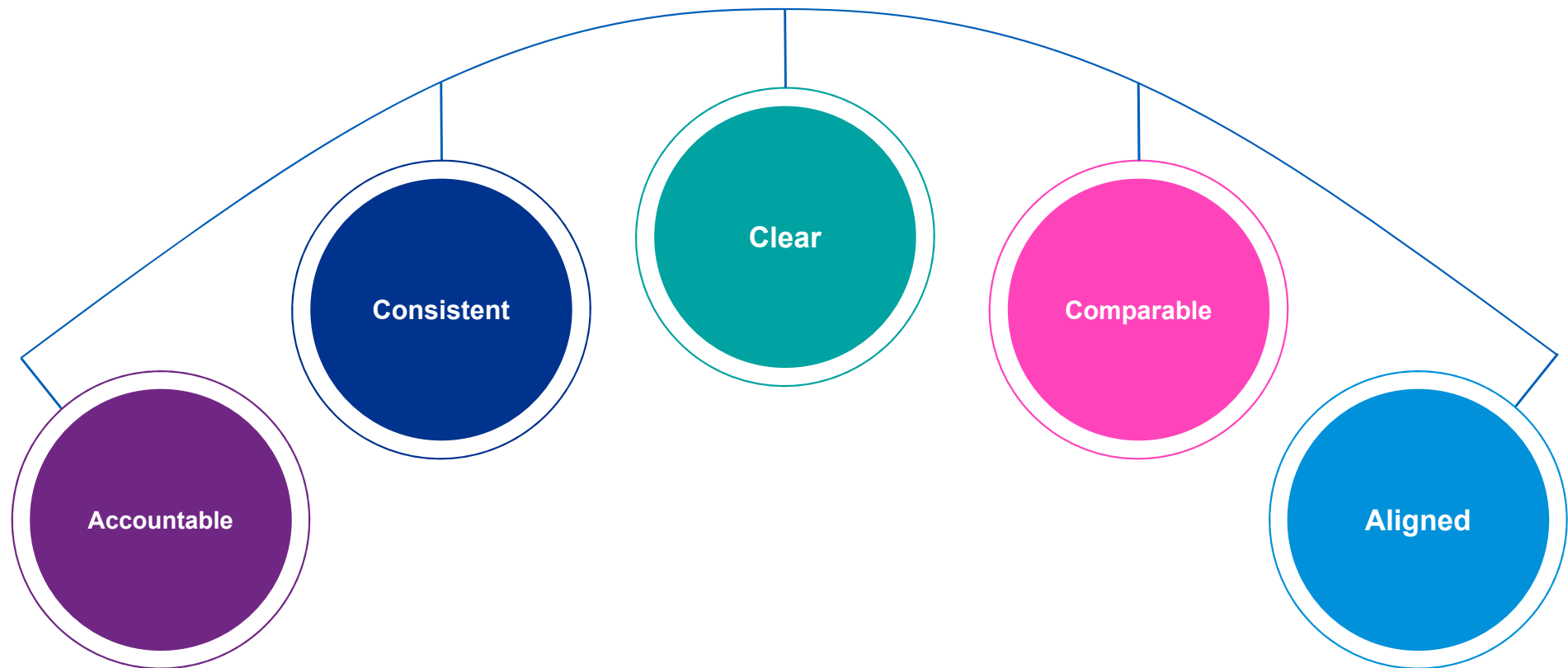
Principles of performance management

Presented by: Malcolm Lowe-Lauri

Principles of performance management

Performance management is an ongoing process between two parties that occurs throughout the year, in support of accomplishing agreed strategic objectives. The process includes setting objectives, clarifying expectations, providing feedback, and reviewing results.

- University of California, Berkeley



Principles of performance management



Benchmark: The roles, responsibilities and accountabilities are clearly established and responsibility for performance management is integrated throughout the organisation

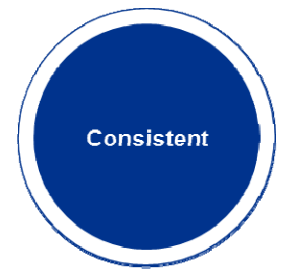
1

There should be clearly delineated roles and responsibilities of staff and ensure there is established accountabilities and responsibility for performance outcomes

2

Responsibility for performance management and performance improvement must be devolved through the entire organisation, with clear delegations and accountabilities at all levels of management down to cost centre and clinical managers

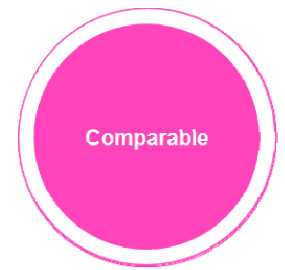
Principles of performance management



Benchmark: The performance management process should be integrated, consistent, and ensure access to comparable performance measures across the key components for health services of finance, operations and quality.

- 1 There must be a single, integrated performance management framework and process with a unified set of performance accountabilities
- 2 Ready access to comparable data is needed through to the individual hospital and cost centre level, to allow benchmarking and drive performance improvement

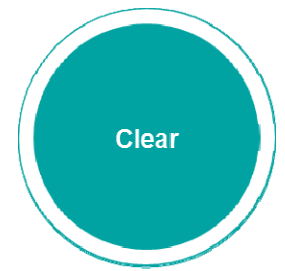
Principles of performance management



Benchmark: *The performance management data and associated outcomes and accountabilities must be comparable and benchmarked against appropriate peers*

- 1** The performance management processes and accountabilities must be based on consistent, high quality data
- 2** Outcomes must be compared and contrasted with appropriate peer organisations
- 3** Outcomes data must be readily available to ensure transparency and accountability

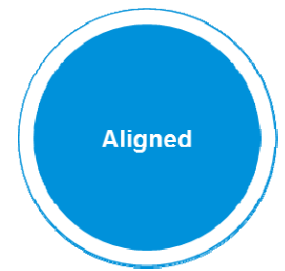
Principles of performance management



Benchmark: The performance management framework and associated processes must be clear, precise and transparent, and aligned with the organisational strategy and goals

- 1 Performance management processes need to be explicit, transparent, and understood
- 2 Staff need to know what the triggers are for performance escalation, when intervention will occur, and the consequences of poor performance
- 3 There needs to be a clear line of sight between organisational goals and performance requirements and the strategies to address these requirements

Principles of performance management



Benchmark: The performance management framework must ensure that performance requirements align with the allocated budget and that episode funding is integrated throughout

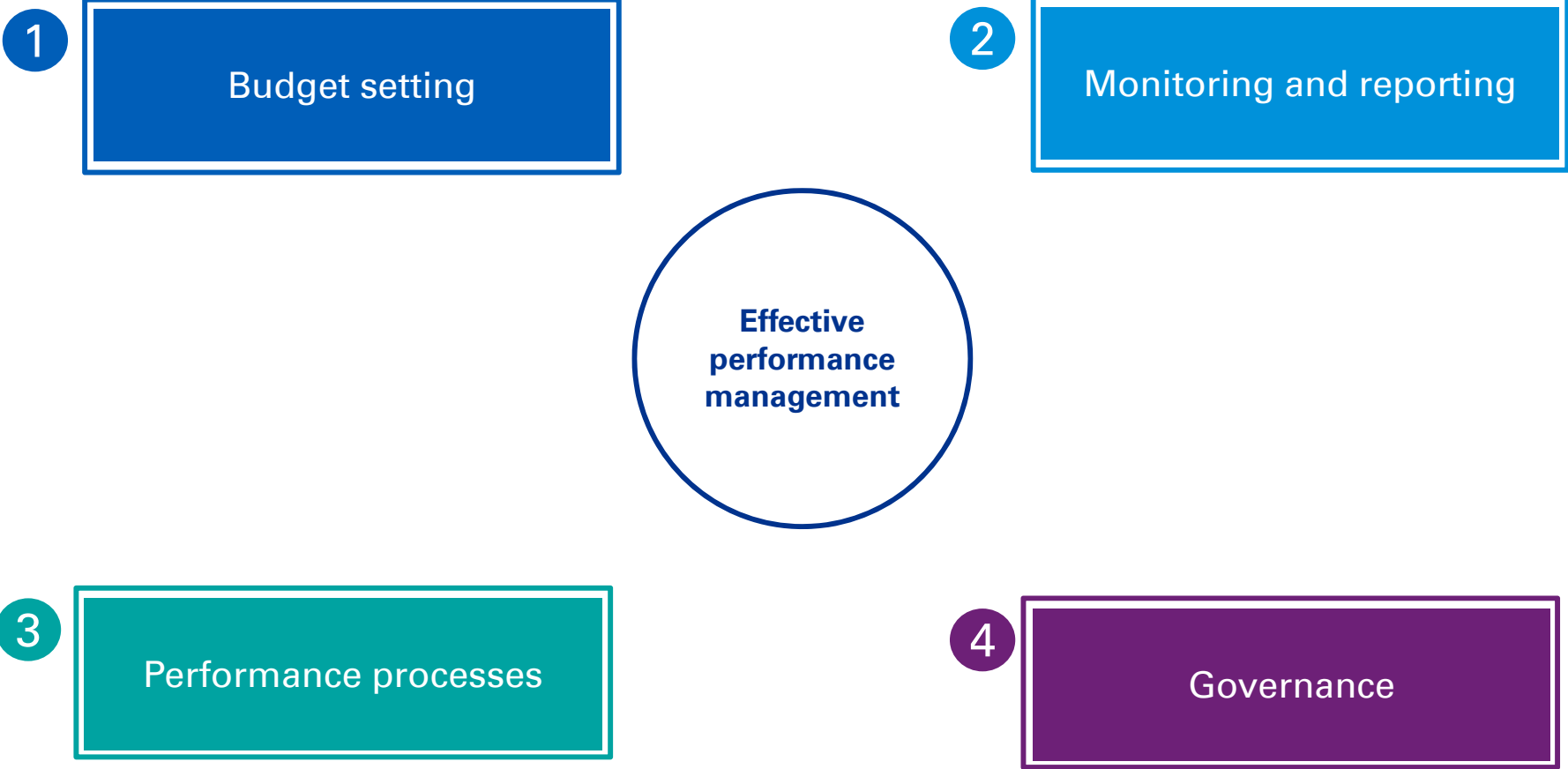
- 1 The process for establishing and assessing performance requirements for non-financial accountabilities must be explicitly linked to an allocated budget and to financial performance outcomes
- 2 Episode funding must be an integral part of performance management, as the budgetary performance is heavily dependant on the extent to which activity targets are met



Elements of performance management

Presented by: John Pilla

Elements of performance management



Elements of performance management

Budget setting

Benchmark: The Health Service has an expenditure budget to meet the service level agreement activity targets across all ABF streams and there is a clear line of sight from the Health Service targets and budgets down to individual hospitals and clinical departments / cost centres

1

Key actions to meet budget targets are identified, and overall and detailed budgets align with the Health Service goals and targets

2

Expenditure budgets are directly linked to activities and functions (e.g. activity, FTE, financial improvement targets)

3

Activity targets are established for individual hospitals and clinical departments / cost centres across settings (inpatient, outpatient, ED) and align with expenditure budget

4

Activity, revenue and expenditure targets are established and communicated to relevant budget holders, including heads of clinical departments

5

The budget setting process is integrated, timely, well defined and understood, and involves staff responsible for clinical, financial, information and planning functions

CRITICAL CONSIDERATIONS

- 1 Have you documented your budget setting process including guiding principles, roles and responsibilities, timeframes and accountabilities?
- 2 Do cost centre managers clearly understand the budget setting process and supported in this process with data and tools?
- 3 Is your budget setting process aligned with ABF principles?
- 4 Have you rebased your cost centres or have you allowed them to roll over from year to year without any recalibration against changes in activity levels and productivity?
- 5 Do you allocate all direct costs to cost centres that drive the expenditure?

Elements of performance management

Monitoring and reporting

Benchmark: The Health Service has the systems, processes and people required to capture and routinely report on activity, revenue and expenditure in line with ABF requirements and for monitoring budget performance. This is done at the Health Service, hospital and clinical department / cost centre level

1

Timely and accurate reports, covering all KPIs, are made available to administrative and clinical management in the Health Service

2

The Health Service has a data quality framework with designated accountabilities, that ensures timely and accurate data

3

The Health Service has adequate clinical coding and activity based costing resources, including staff capability and appropriate tools

3

Health Service managers have access to a standard performance monitoring tool kit, that is timely, highlights performance risks, and has a function form that is easy to use

Elements of performance management

Monitoring and reporting

CRITICAL CONSIDERATIONS

- 1 Do you have a routine process of reviewing data quality and a process that uses data mining and data analytics to identify data quality issues?
- 2 Do budget holders and others with a performance management responsibility have KPIs that relate directly to what they control and are expected to manage?
- 3 Are your KPIs consistent with ABF principles?
- 4 Do budget holders and others with a performance management responsibility regularly review performance, document actions and ensure follow through?

Elements of performance management

Performance processes

Benchmark: a well defined monitoring and reporting regime in place with KPIs discussed at relevant forums and accountabilities assigned at the appropriate level. These processes exist at various levels from the Board to clinical directorates and there is was a logical cascading of performance management through the organisation.

1

Service Agreements exist (describing strategic priorities, performance targets and KPIs) and are understood at all levels within the Health Service, hospitals and clinical departments

2

Performance targets (including budget and activity targets) for each hospital / service in the Health Service have been agreed, communicated and responsibilities assigned and understood

3

Escalation protocols for addressing variations in performance against targets are established and agreed

4

Accountability processes are in place and operating in a timely manner

5

Managers are provided with mentoring and coaching in performance improvement methods and skill development

Elements of performance management

Performance
processes

CRITICAL CONSIDERATIONS

1

How well is the performance process understood?

2

Do you have a formal process of assessing performance risks and an established risk mitigation process?

3

Do you have a complete performance management feedback loop that ensures agreed actions are taken and outcomes achieved?

4

Do performance managers have access to relevant tools and other resources that support them in their performance management role?

5

Is performance regularly reviewed and inclusive?

Elements of performance management

Governance

Benchmark: Individual Governing Body members understand all of their obligations, and the Governing Body is aware of the Health Service systems, processes, structures and performance

1

Individual Governing Body members understand their obligations

2

Reporting processes for the Governing Council are established to ensure regular and timely monitoring and oversight of performance

3

There is a culture of performance management and performance improvement focus that permeates all levels of the organisation, with performance improvement included in the job descriptions of all executives and managers and forming a core part of individual performance reviews

4

There are clear delegations that are devolved throughout the Health Service to ensure that managers have responsibility and authority to implement change within defined parameters

Elements of performance management

Governance

CRITICAL CONSIDERATIONS

1

Does the Board receive performance reports on all of their service agreement obligations?

2

Does the 'Board' receive ABF performance reports?

3

In assessing new investments does the 'Board' consider ABF revenue and cost implications?

4

Does the Board formally assess its own performance?

Questions for consideration

- 1 What works well in your organisation?
- 2 What examples of innovation in performance management have you seen?
- 3 What do you need to do to improve your approach to performance management?



Break



Case study 1: Budgeting in an ABF environment

Presented by: John O'Connor

Top down approach



ABF and block funding allocated to facilities (hospitals) and service units



Allocations to facilities and services replicates the approach used by the jurisdiction to fund the network:

- Activity targets
- Price per weighted activity unit
- Allocation of block funding



Facilities and services allocate to cost centre and account code level

Cost centre allocations:

- Top down, i.e. last year plus adjustments
- Bottom up using inputs

Bottom up approach



Focus is on budgeting for all required inputs from the lowest level



Detailed calculation of key cost buckets:

- Salaries and wages
- Goods and services

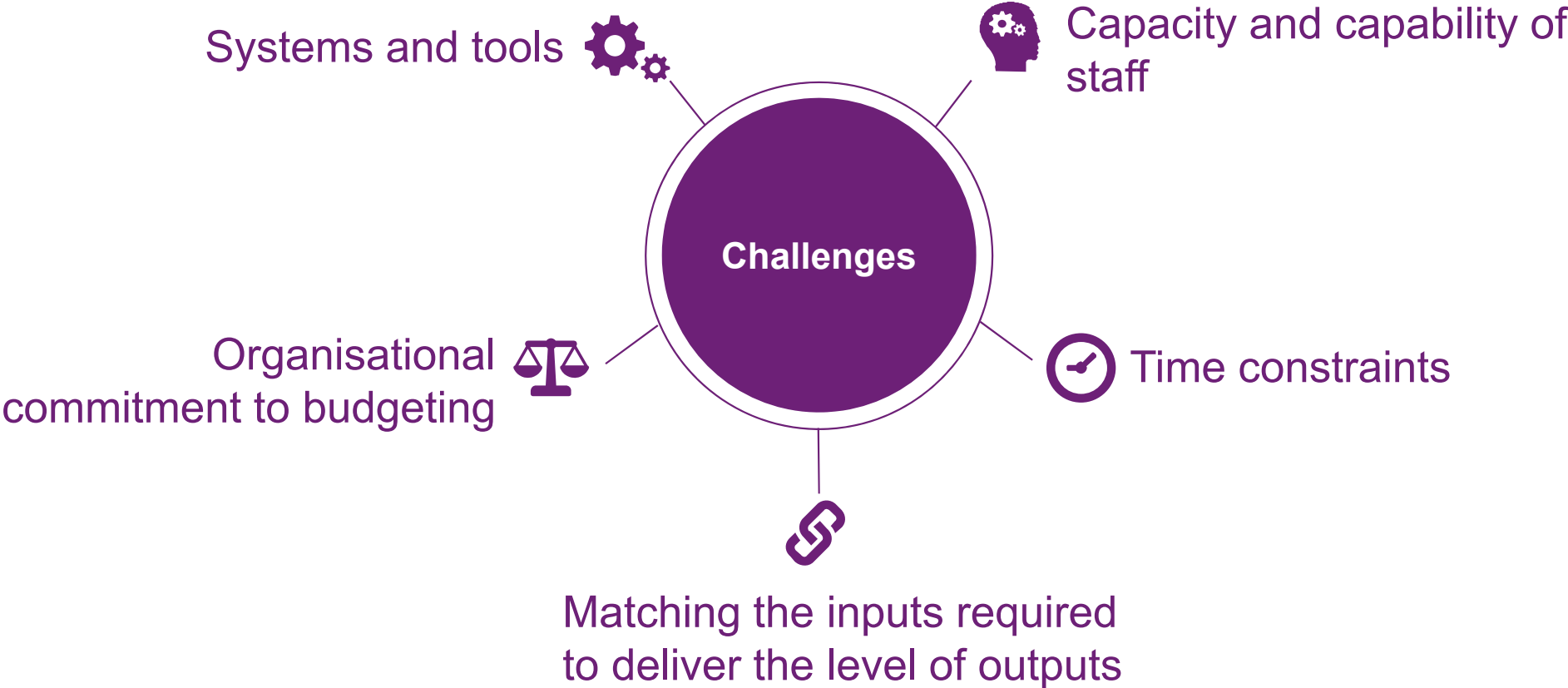


Reliance on key drivers



Result needs to be matched to available funding/resources

Challenges



Common features



Governance

- Budget guidelines and principles
- Timeframes
- Monitoring of budget process
- Reconciliation
- Sign-off



Accountability

- Clearly defined









Transparency



Case study 2: NHS Foundation Trust

Presented by: Malcolm Lowe-Lauri

Background factors

-  Payment By Results – the English version of ABF – was introduced progressively from 2005/6
-  It covers ~80% of revenue to an NHS Foundation Trust
-  This NHS Trust was a historical over spender reliant on off-contract fixes
-  It needed to demonstrate financial viability as part of the Foundation Trust application process
-  Financial planning cannot exclude quality and operational considerations given the inspection and regulation regime
-  All contracts with commissioners contain quality payments and fines, e.g. CQIN

Characteristics of good performance management



Financial savings plans require formal processes to demonstrate financial sustainability and maintenance or improvement of service or operational quality



This process can include an external Project Management Office, and formal project management methods and tools



Factors dictating whether financial plans can be delivered through BAU or need additional support include:

- The size of the problem
- The capability and bandwidth of the organisation



Managing performance includes:

- Short term vs. long term measures
- Internal (e.g. organisational change) and external factors (e.g. health system transformation)



Workshop close

Panel discussion



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