

## System Synergy



Supporting system managers, commissioners and providers in the development and practical implementation of markets and competition policy.

As the NHS becomes a new and emerging market, the way that NHS services are purchased and delivered can be expected to fundamentally change:

- Contestability of services is increasingly becoming a reality for many NHS providers.
- New providers from the private and third sectors are entering provision.

- GP Commissioners will need to take decisions about how best to compete and contract for care, how patient choice should be enabled in their market and the impact of commissioning arrangements on the operation and sustainability of the provider market.
- Patients are being given a greater voice. “No decision about me, without me”: Commissioners and providers must understand the impact of choice and what they should do to make sure the system is delivering the best results for taxpayers and patients.

**“The introduction of choice and contestability represents a profound change in the way that the NHS works. KPMG has a long and successful track record in helping to develop emerging markets and in advising clients whose markets are already fiercely competitive. Whether you are an NHS, private or third sector organisation, we can help you adapt to this new world and excel within it.”**

Matthew Custance, KPMG Director

## Market dynamics deliver better value when market participants understand commercial incentives and use them for patient benefit.

### **Central system managers, such as the Department, the NHS Board and Monitor**

For central system managers it will be critical, especially in these early years, to track the effectiveness of the new rules and approaches. Are regulations, policies and frameworks helping to deliver effective and efficient markets with constructive competition? If not, what can be done to make the market more effective? Where are the blockages? In what situations is system-wide intervention helpful and in what situations does intervention simply add complexity and uncertainty?

### **GP Commissioners are to be the local system managers within the NHS**

The importance of understanding the commercial aspects of the market (particularly incentives) cannot be over-emphasised. Interventions can but will not always add value. Automatic competitive tendering of services will not always be the right answer. Nor will direct award to existing providers. Indeed, players in mature markets tend to put contracts out to competition when performance issues exist in important areas, and/or where innovation is required. When KPMG works with supplier markets we help clients first to clarify what they are seeking to achieve, before helping them to choose the levers most likely to meet that need.

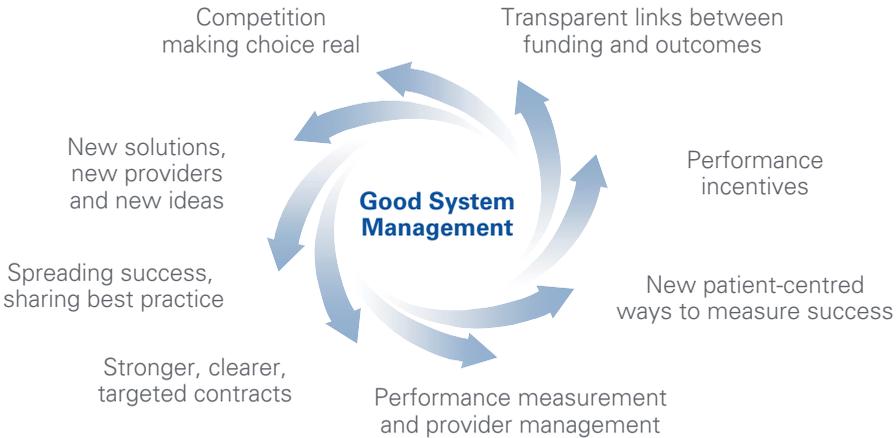
### **Providers adjusting from a State-directed system to competitive markets**

A fundamental realignment is required, enabling providers to move from serving the expressed priorities of the State to responding to the implicit demands of patients as expressed through their choices. At the same time, commissioners are likely to increasingly turn to competitive procurement as a means of delivering cheaper and more flexible forms of provision. Providers will need to become more co-ordinated, professional and innovative in the way that they respond to tenders and develop bids. They will also need to consider whether they are being treated fairly within the system and what their options are if they are not.

KPMG has a long track record in working with Government to establish new markets, develop and analyse new regulatory frameworks and help organisations to make the most of the markets they work within. Whether we are helping providers to sharpen their tenders or commissioners to shape their requirements in the most effective way, our approach is always practical, and grounded in an understanding of “what works”. This understanding only comes from years of transaction experience.



## Good System Management Wheel



## Credentials

### Fair Playing Field Review

The Department of Health wanted to develop an independent and measured view of whether contestability in the NHS market was fair. Players on all sides were pointing to distortions and it was important, before committing to any proposed interventions, to understand the overall impact.

KPMG used a combination of practical experience and economic analysis to provide the first independent assessment of whether the distortions put forward had basic validity. Where possible, we also quantified the effects distortions. We helped to prioritise key areas for intervention and evidence the rationale for the interventions proposed. The balanced process that we followed challenged preconceived views, and exposed commonly held myths, about how competition in the NHS has been working in practice.

### Health Market Analysis

KPMG has helped PCTs all around the country to adopt a structured approach to analysing health markets and developing market management strategies.

Our approach recognises that this is a new competency for many commissioners. As a result it centres on an easy to use methodology that is capable of being integrated into the ongoing business processes of PCTs. Our work has ranged from market-wide assessments to identify those service areas that are most in need of restructuring, through deeper dives to analyse specific market segments, to the development of practical suggestions for how PCTs can help to ensure their supply markets are fit for the future. Our support to commissioners has also included case studies and training events to help PCTs develop and embed these skills.

### “Competition has a large effect in improving managerial quality in hospitals.”

‘The impact of competition on management quality: evidence from public hospitals’ dated May 2010, published by the Centre for Economic Performance, London School of Economics and Political Science.

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Publication name: System Synergy

Publication number: RRD-226680 |

Publication date: October 2010

Printed on recycled material