The Association of
UK University Hospitals
service
research
aching

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The Dalton Review into New Options for Providers

AUKUH views, July 2014

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1. Introduction

The Association of UK University Hospitals (AUKUH) is the key leadership body across the UK promoting the unique interests of UK University Hospital Trusts in the tripartite mission of service, teaching and research[1]. There are currently 45 members, more information can be found here: http://aukuh.org.uk/.

AUKUH members welcome the opportunity to contribute to the timely 'Dalton Review into New Options for Providers'. AUKUH Medical Directors were pleased to discuss related issues with Sir David Dalton and Sarah Morgan at their recent meeting.

As organisations delivering clinical services that are often highly specialised, with strong academic links, our members suggest university hospitals have resilient, learning cultures and resources which are of wider benefit to the health system. Members believe that they have a responsibility to their local health systems to share expertise and where appropriate pool resources. Indeed, 11 of the 13 Trusts recently or currently in special measures are receiving support and assistance from AUKUH members[2]. Twenty-one of the HSJ top 100 NHS Chief Executives are AUKUH members[3]. More information about university hospitals' roles and potential contributions can be found in this document:
www.aukuh.org.uk/index.php/component/docman/doc_download/145-the-role-of-the-university-hospital

The written comments that follow are early reflections that we hope will be of value to the review as it develops. We will be keen to contribute to future formal evidence gathering and consultation exercises.

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[1] University hospitals employ over 330,000 staff in the UK. In 2013, 59% of NHS England Specialised Commissioning allocations (£6,941,207,845) went to 41 AUKUH member Trusts in England. AUKUH members make a significant contribution to research infrastructure. In 2011–12, 40 AUKUH members recruited 231,966 patients to 6,993 clinical trials. The average baseline patient recruitment for an AUKUH Trust was 5, 799, the national average was 1,463. More on AUKUH members' contribution to UK health research can be found in this AUKUH document.

[2] http://www.nhs.uk/nhsengland/specialmeasures/pages/about-special-measures.aspx

[3] http://www.hsj.co.uk/resource-centre/supplements/hsj-top-chief-executives-2014/5069202.article#.U5nVOU3jgdU

2. Reasons for pursuing new organisational options

The spectrum of 'new organisational options for providers' can range from mergers and acquisitions through to joint ventures and loose, voluntary alliances. The scale at which these options are pursued is also diverse. For example, 'buddying' senior leaders in high performing organisations with those in special measures versus merging a hospital into a larger 'chain' or network. Incentives for pursuing options at each of these levels differ.

Buddying and mentoring schemes

Motivations for high performing providers to enter into buddying and mentoring schemes with Trusts can include the following:

- A commitment to public service
- To strengthen the local health system
- An opportunity to bring learning back to the 'home' organisation

Time limited assignments/turn-around projects are likely to be more attractive than longer term arrangements if partners are not geographically co-terminous. To maximise the benefit of shared patient flows, medical appointments and back office functions, geographical proximity is necessary.

Networks of hospitals or services

A major incentive for linkage and joint ventures between Trusts in networks is to create 'critical mass'. Reducing the number of providers/locations for a service can help to create consolidated provision with sufficient volume of patients. Creating this critical mass has the following attractions:

- Potential to improve patient outcomes
- Potential to reduce cost
- Making services more attractive for recruitment
- Increasing academic interest and activity

It is important to recognise that a provider may also be attracted to taking on other hospitals/services to give a stronger position for system leadership/influence.

Incentives also exist for staff and patients of hospitals/services being acquired. Connection with a strong partner Trust can provide leadership, investment and a vision of a better future for the organisation. Ultimately, improvements in patient care will be an incentive for all.

We would note that to date the incentives have not generally been deemed to outweigh risks, but current service and financial pressures may change this balance.

3. Barriers faced by providers wishing to pursue new options

While it has been challenging to articulate the benefits of pursuing networks of services or hospitals, the risks have been easier to outline. Members have expressed reservation about the desirability of the NHS operating chain models similar to those in the commercial sector. The following are suggested as barriers and difficulties that have been faced in the past:

Risk aversion

Understandably, in a public service of such importance, the NHS at all levels has been relatively risk averse when considering new organisational options and structures for providers. Proposals for mergers, acquisition and joint ventures require comments and approval from a wide range of organisations (e.g. Monitor, TDA, commissioners, CQC etc) which can make these prospects unattractive. Furthermore, the level of performance management incurred once decisions to establish joint ventures/begin acquisitions are made can be a disincentive, particularly to Trusts that have earned autonomy through the Foundation Trust model.

However, Trusts themselves have also often been risk averse. The potential damage to the reputation of a Trust should their performance be affected by newly acquired hospitals/services has been a significant disincentive. In addition, uncertainty about the legality of the governance of such 'new options for providers' can be a disincentive. At the personal level, leaders embarking on joint ventures and/or acquisitions can be required to make decisions that could threaten their own roles. While there are leaders that do this in the commercial sector, there are not clear paths or rewards for this type of leader in the NHS.

Capacity

The capacity of management/senior leaders within a 'home organisation' to take on additional responsibility and workload can reduce the likelihood of buddying or more formal networking of hospitals/services. The significant time and resource required to start new initiatives for all involved can also be a disincentive.

Lack of evidence

There have been few successful mergers and acquisitions in the NHS and it is hard to know what has made the successful ones work. This means it is hard to replicate good practice. Understanding potential savings of collaboration along service lines is challenging.

At a system level, it has not been clear which services and hospitals are struggling to be viable. While an understandable and often necessary response, additional funding has made it harder to see which hospitals/services are struggling. In turn this had made it harder to make the case for change.

Ownership of organisational changes

To date, mergers and acquisitions have tended to be driven from the centre and based on financial viability. This is less desirable than locally driven initiatives with support from clinicians, and a case for change centred on improving care for patients.

Geography

For non-geographic hospital groups, the ability of a 'home' organisation to understand the culture and local context of hospitals/services in other regions has been and remains a significant barrier.

4. Considerations for successful approaches

Options pursued will need to vary based on the problem trying to be solved (ie to build leadership capacity or support the viability of a service/hospital). The following are suggested as common considerations and opportunities for successful approaches in pursuing new options.

Case for change and responsibility for action

The case for pursuing new partnerships and ventures should be firmly centred on improving patient outcomes and delivering the best possible services for the population served. The way that health systems choose to organise themselves more effectively should have support from clinicians.

New partnerships and ventures should be locally driven, rather than centrally mandated. This should recognise the varying levels of resource, history, culture and local politics of different regions. An understanding of local context is vital for successful partnerships.

Re-purposing sites that are struggling

As well as supporting service/hospital viability, there is an opportunity for new arrangements between providers to re-design where and how services are delivered more radically. 'Re-purposed' sites (e.g. smaller hospitals in difficulty) could be used to create community campuses which bring together for example, specialists in the care of older people and children in multi-professional teams. This may help to break existing boundaries and provide the brighter future required for smaller hospitals[4].

Organisational sovereignty

If the geography works, it might be possible for the chief executive to have a 'group' responsibility for all hospitals in a network, with individual hospitals having their own managing director. Retaining a degree of organisational sovereignty could be a way to ensure partners do not feel they have 'lost' by joining a hospital group. The level of autonomy will need to be balanced with the need to transfer the successful aspects of leading organisations into those that are struggling.

Alignment with academia

There are significant benefits to be had from the alignment of accountability and strategy between NHS Trusts and universities[5]. Consolidation of the number of NHS organisations in England may make it easier for universities and the NHS to work together more closely. Using partnering arrangements to maximise these benefits, and involving universities in the design of plans would be welcome.

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[4] https://www.gov.uk/government/news/smaller-hospitals-have-a-future-in-the-nhs-but-need-to-change

[5] PV Ovseiko, A Heitmueller, P Allen et al. (2014) Improving accountability through alignment: the role of academic health science centres and networks in England. In *BMC Health Serv Res* 14 (24). http://www.biomedcentral.com/1472-696...

Evidence base

New models and approaches should be evaluated and the findings should be shared widely to address the current evidence gaps with which providers are faced. Further research into variation of outcomes and the ability to reduce poor quality practice is needed. The success of 'chains/groups' in other industries/sectors is largely attributable to the ability to apply standard procedures.

It is essential for Trusts about to embark on buddying, joint ventures or acquisition to be provided with a clear 'diagnosis' of the problem for which a solution is sought. This will allow better appraisal of the risks and benefits of involvement. Finding and financing this information should not be left to the interested Trust.

Reimbursement & Finance

Sufficient reimbursement for a partner Trust's time supporting those in special measures is essential. Having clarity about the scope of 'consultancy' projects to build leadership capacity will be important.

Reimbursement which rewards service quality rather than activity would help to facilitate for more long-term partnerships/networks. Having a clear financial package for the acquisition of services/sites based on realistic costs will make incentives clearer. New ventures will not be successful without an agreed and politically acceptable strategic solution that will make the finances of such options sustainable.

Performance measurement

Separating the performance reporting of a host organisation from others in a hospital group is recommended. This will be an important reassurance for organisations wishing to enter into formal takeover of hospitals or services.

In addition, it should be recognised that changing deep seated cultures can take many years. Allowing sufficient time to measure success will be important.