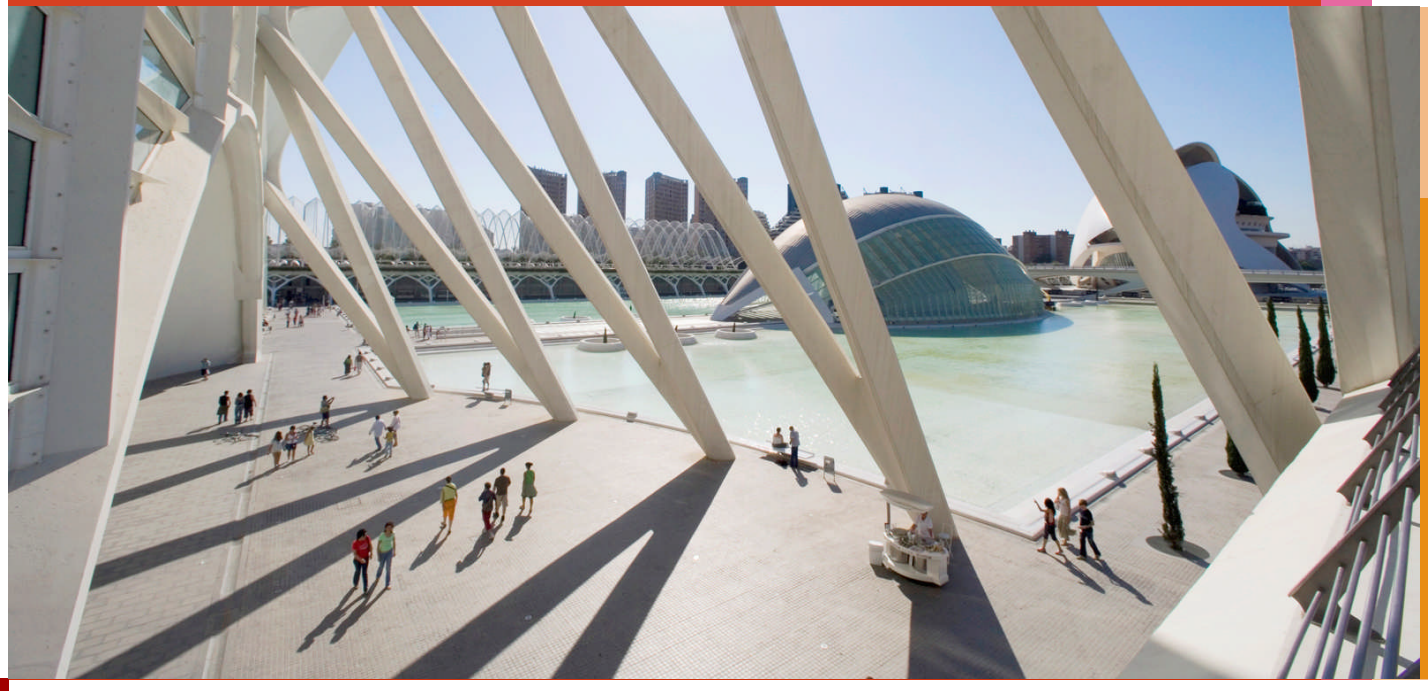
Advisory

Western Sussex Hospitals NHS Foundation Trust and NHS Coastal West Sussex Clinical Commissioning Group

Summary of the review of financial, clinical and operational impact of the MSK service tender

Strictly Private and Confidential
17 December 2014



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Important notice

This presentation has been prepared under our engagement letter with Western Sussex Hospitals NHS Foundation Trust ("the Trust") and NHS Coastal West Sussex Clinical Commissioning Group ("the CCG") dated 5th November 2014

This presentation summarises our findings as set out in our final report dated 17 December 2014. As explained in our engagement letter, we accept liability only to specified parties and only in relation to our final report. We do not accept liability to anyone in relation to this presentation. Reference should be made to our report to understand the full details of our work and our findings.

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Dear Sirs

We report to Western Sussex Hospitals NHS Foundation Trust ("the Trust") and NHS Coastal West Sussex Clinical Commissioning Group ("the CCG") in accordance with our agreement dated 5th November 2014.

This is a high level summary of our findings, as set out in our final report of 17 December 2014 .

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

Yours faithfully

James Pring

for and on behalf of PricewaterhouseCoopers LLP

Background to changes for MSK services

We set out the background to our review, and the areas impacted by the tender of the Trust's MSK provision, opposite.

The CCG has tendered for the provision of a significant portion of MSK services (representing c.10% of total Trust income, and set out to the right).

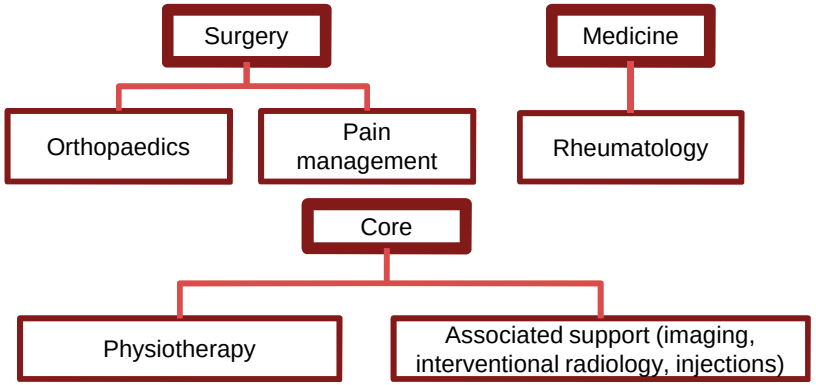
This includes Orthopaedics, Rheumatology, Pain Management, and Physiotherapy (together with their associated diagnostics and related activities). Trauma (including eight weeks post-trauma activity, such as fracture clinics), services to Under-18's and inpatient Physiotherapy remain with the Trust.

The Trust submitted a bid as part of a consortium, along with BUPA/CSH and a third bidder. BUPA/CSH was chosen as preferred bidder by the CCG, to commence delivering services from 31 December 2014. This has been delayed to 1 April 2015, owing to delays in agreement of contracts.

We understand from the CCG that the primary reason for the tender of MSK services is driven by the need to improve the pathway in its current form.

We summarise our findings in the pages that follow, based on the meetings which we have had to date, with the Trust, CCG and BUPA/CSH, and using the information which we have been provided with.

Summary of directorates and divisions affected by the MSK tender process



Service	MSK services tendered
Orthopaedics	Activity for patients aged 18 and over, excluding trauma and eight weeks post trauma
Rheumatology	All activity (excluding provision to inpatients in hospital for other reasons)
Physiotherapy	Community activity for patients aged over 18
Pain management	Activity for patients aged over 18
Associated support	Imaging, Interventional radiology injections

Source: Management Information

The "current" scenario

We set out the focus of our review, and the assumptions made in our "current" scenario, opposite.

At present there is no draft contract in place (between BUPA/CSH and the CCG, nor BUPA/CSH and the Trust). Our assumptions in the "current" scenario are therefore based upon the latest indications from BUPA/CSH on their intentions, as well as what we have seen written down, all of which is subject to change.

Given the contract is due to start from 1 April 2015, there is a considerable amount of work to be completed by all parties if the new contract is to be signed and commence on time.

Assumptions within the "current" scenario are:

- Inpatient orthopaedic activity to remain at FY14 activity and casemix levels;
- Outpatient orthopaedic activity at 50% of FY14 levels. We have seen no definitive narrative around activity levels in this area, and so have assumed this for illustrative purposes;
- No community physiotherapy, rheumatology and pain management activity to be subcontracted back to the Trust; and
- 75% of direct cost, such as staffing cost, theatre cost etc., to be removed in year one of the contract. This is based on the Trust's initial assessment and has been used in our analysis, in the absence of further granularity.

Summary findings

We set out a summary of our findings. These are detailed further within our report dated 17 December 2014.

1. There are presently no agreed terms nor a draft contract in place between any of the parties.
2. Reduced elective orthopaedic activity at the Trust would require a change in ways of working, which benchmarking suggests is feasible.
3. Proposed clinical governance procedures are currently unclear and therefore pose a potential risk, specifically if providers conduct outpatient activity but do not also provide inpatient services.
4. Moving some Trust services into the community can achieve benefits, but has the potential to negatively impact other services remaining in the Trust.
5. Recruitment, retention and training may be more challenging for the Trust.
6. The financial impact of losing MSK services may be compounded should our areas of sensitivity to the Trust's FY15 outturn be realised.
7. The "current" scenario may result in a £2.7m contribution impact on the Trust in year one. Should the 75% cost removal assumption within this change to 50% or 25%, the impact becomes £5.4m or £7.6m respectively.
8. We have modelled a number of sensitivities for year one, with an illustrative upside and downside case resulting in a £1.2m and £10.0m impact respectively.
9. The cumulative impact across the five year contract could be £13.4m (after adopting the Milliman assumptions on the intended trajectory of CCG spend on MSK activity).
10. The cumulative impact of loss of MSK services results in the Trust falling into deficit over the next five years. This position may significantly worsen should some of our sensitivities be realised.

At a glance

On the next page, we summarise our findings from a financial, clinical and operational perspective, to provide a snapshot of our work.

In doing so, we give our findings on the "current" scenario, but also against our illustrative upside and downside scenarios.

For signposting purposes, we have rated the risk areas covered within our clinical and operational review of the "current" scenario, and for the illustrative upside and downside cases, on a Red, Amber, Green basis.

The ratings are defined as follows:

- Would pose substantial risk to the Trust without mitigation
- Implementable mitigation can be identified
- There is no additional risk identified beyond those which currently exist in the service

Area / risk highlighted

	Financial impact (£'m)	Clinical and operational impact (RAG rated)	Financial impact (over and above impact in "current" (£'m)		Clinical and operational impact (changes to "current" scenario ratings)	
	"Current" scenario		Upside	Downside	Upside	Downside
Financial impact from "current" scenario brought forwards			(2.7)	(2.7)		
Orthopaedic inpatients	0		0.3	(1.7)		
Reduced volume leading to quality and safety issues		🟢			🟢	🟡
Reduced trauma cover and risk to sustainability of two trauma units		🟡			🟢	🟡
Increased burden from potential change in casemix		🟢			🟢	🟡
Loss of critical mass for sub-specialties		🟢			🟢	🟡
Orthopaedic outpatients	(0.6)		0.7	(0.7)		
Impact on clinical governance if outpatient clinics are provided by a different provider		🔴			N/A	🔴
Potential duplication of work		🟡			🟢	🟡
Trust staff not available in hospital to support other services		🟡			🟡	🔴
Rheumatology	(0.7)		0.3	-		
Rheumatologists not on site to support general medical rota		🟡			🟡	🟡
Potential impact on quality of care due to loss of ad hoc advice to other services		🟡			🟡	🟡
Chronic pain, physiotherapy, imaging	(1.4)		0.2	-		
Impact on residual physiotherapy requirements and adjacent services		🟡			🟡	🟡
Radiologists' support of other services		🟡			🟢	🔴
Risk of repeated diagnostic work (imaging)		🟡			🟡	🟡
Change in casemix for MSK imaging		🟡			🟡	🟡
Clinical adjacencies, and boundaries between services						
Impact on residual MSK services (scale; boundaries between adults and adolescents)		🟡			🟡	🟡
Impact on non-MSK services due to risk of referral to other services		🟢			🟢	🟢
Impact on multidisciplinary working		🟡			🟡	🟡
Overarching operational issues						
Recruitment and retention		🟡			🟡	🟡
Asset use if Trust facilities are not utilised		🟡			🟡	🟡
Capability and capacity for training		🟡			🟢	🟡
Impact of removing 25% of direct costs, rather than 75%				(4.9)		
Total	(2.7)		(1.2)	(10.0)		

Source: PwC analysis

Next steps

We note that there are a number of next steps that we consider important to move negotiations forward, and to allow for greater granularity in analysis of the impact.

At a summary level, these include:

1. **Further clarity on FY15 outturn position** – for example, control over temporary pay, certainty over CIP delivery and discussion with the CCG concerning payment for RTT activity, CQUIN payment and year end funding;
2. **Greater granularity over Trust data** - to enable more detailed analysis of the impact assessment. Specifically, this should include an assessment for the potential costs of redundancy should staff not be TUPE'd across to BUPA/CSH, and SLR level data to enable greater direct cost out assumptions to be more accurately modelled, as well as to inform the potential impact of casemix scenario analysis;
3. **Discussion over the "current" scenario terms** – to assess how acceptable these terms are to all parties, and move discussions and negotiations forward to agree an acceptable service model; and
4. **Mitigation analysis** – to explore potential mitigating options which may be required as negotiations ensure. This should cover financial mitigations (i.e. in response to the financial loss incurred by the Trust), as well as clinical and operational mitigations (i.e. to ensure the implementation and running of the new contract, as well as other specialties / areas affected).