

<b>Subject:</b>	Hampshire and IOW Pathology Consortium Update
<b>Prepared by:</b> <b>Sponsored &amp; Presented by:</b>	Robert Simpson, Pathology Manager Ursula Ward, Chief Executive
<b>Purpose of paper</b>	Discussion requested by Trust Board Regular Reporting For Information / Awareness
<b>Key points for Trust Board members</b>	In January 2011 CEOs across Hampshire & the IOW agreed to pursue a Pathology Consortium as part of Nicholson £20billion cost savings challenge.  An Outline Business Case was produced in January 2012 for consideration by Trust Boards.  July 2012 the Trusts of Portsmouth, Southampton and Isle of Wight agreed a Memorandum of Understanding to move to Full Business Case under a Shadow Board arrangement.
<b>Options and decisions required</b>	<b>Consortium Vision</b>  To have a high quality, cost effective and efficient pathology service which comprises of a consortium of NHS laboratories which will change their services to reduce costs of provision by 2013/14, to the benefit of all Trusts. The Consortium will develop effective service models, logistics, IT and monitoring services, with or without third party involvement, to offer different products and services to our customers, attracting further business opportunities which will be shared for the mutual benefit of partners in the Consortium.  Key Benefits to Portsmouth Hospitals Trust include 1) minimising potential loss of c. £2m income p.a. if Commissioners reduce Direct Access tariff to average across the area.2) Access to £4.4m SHA funding to rationalise Pathology Services and invest in Infrastructure. 3) Greater shared savings from cost reduction across three Trusts co-operating together. 4) Future expansion opportunities through external investment in logistics infrastructure and Information Systems.
<b>Next steps / future actions:</b>	Exiting Governance Arrangements are a Project Board now with Acting Chief Executive (Karen Baker) of the Isle of Wight as Senior Responsible officer with Mark Hackett having stepped down.  For future governance arrangements the key requirement now is to quickly establish a Shadow Board as detailed with a Non Executive and Independent Chair to oversee the Full Business Case and appoint a Senior Management Team.
<b>Consideration of legal issues (including Equality Impact Assessment)?</b>	For the avoidance of doubt the MoU Is not intended to be legally binding, and no legal obligations or legal rights shall arise between the parties from this MoU. The parties enter into the MoU intending to honour their obligations.
<b>Consideration of Public and Patient Involvement and Communications Implications?</b>	The first revised Project Board meets in September 2012.

## **Hampshire and IOW Pathology Consortium Update**

### **Executive Summary**

Following the announcement from the DH that the NHS would be required to find £20 billion worth of savings, the Chief Executives across South Central formed the Regional Enablement Group (REG). A small number of projects were identified as having the potential to release significant savings including Pathology. In January 2011 the Chief Executives Pathology Consortium project was tasked with identifying savings through the radical reconfiguration of pathology across the various regions whilst maintaining a high quality service. This H&IOW project has been professionally led by clinical and scientific staff from each of the trusts involved.

In January 2011 the CEOs from Basingstoke (BNFHT), IOW, PHT, UHS and Winchester/Eastleigh Trusts( WEHT) agreed to develop a stakeholder consortium for pathology work to bring all six NHS laboratory services together under a single management team that reports to the CEOs of the Trusts.

The vision for the future of pathology is to:

Reduce the cost of pathology in order to offer immediate benefits to the commissioners, support NHS Trusts with their cost improvement plans and to provide a competitive and sustainable service for the future. There will be substantial gains in efficiency and productivity through economies of scale, standardisation of equipment, processes and systems, and improved information sharing across both primary and secondary care throughout the geographic area. This will benefit the local health economy and also provide a consistent patient and GP experience.

The proposal of a legal entity of a Shared Service Organisation (SSO) with a provider Trust as host enables the Consortium to be formed quickly, allowing benefits to be achieved as soon as possible. This has now been agreed by all parties.

The SSO will be owned and controlled by the Pathology Consortium Board made up of executive and non executive Directors from each provider trust and will be chaired by an independent Chair who was still to be appointed.

Improved IM&T data systems will link all labs together and enable not only the secure sharing of information between sites and clinicians, including primary care, but also the provision of real-time reporting, to monitor specimen turnaround times for quality and to ensure turnaround times are met across the Consortium, and the tracking of specimens from the patient to analysis in the laboratory including any inter-laboratory transfers. Transportation will enable consistent 'track and trace' monitoring of samples and an efficient link to all non-patient transport contracts in the H&IOW area, thereby minimising the carbon footprint impact.

To achieve the goals of the Consortium, it is proposed that there is a move away from the current location-based management structure to a function-based approach. This would create specialty-based teams that would deliver a comprehensive speciality service across the Consortium utilising physical and other assets in the most efficient, effective and safe manner. In this way the culture would change from a focus on location to a focus on service irrespective of location. This offers centres of excellence and an organisation capable of attracting trainees and skilled resources in the future.

### **Our Consortium Vision**

"To have a high quality, cost effective and efficient pathology service which comprises a consortium of NHS laboratories which will change their services to reduce costs of provision by 2013/14, to the benefit of all Trusts. The Consortium will develop effective service models, logistics, IT and monitoring services, with or without third party involvement, to offer different products and services to our customers, attracting further business opportunities which will be shared for the mutual benefit of our partners in the Consortium".

- Single organisation
- Single management team
- Single income and expenditure account
- Existing income maintained
- -Sharing of benefits

Mark Hackett CEO of UHS agreed to lead the project as Senior Responsible Owner (SRO) working to objectives and terms described within the project initiation document. In April 2011 the project team was appointed and in July 2011 an interim report on progress was produced. At this time the CEOs supported the continuation of the project into phase two. Following the production of a second interim report in October 2011 Basingstoke and Winchester withdrew from the project citing that they had underestimated the amount of work involved in their own merger project. The CEOs of HPA, IOW, PHT, SHIP and UHS agreed to support the project to produce this OBC.

### **Why a Consortium?**

The most obvious benefit that the Consortium will secure for its stakeholders is cost reduction. However, working together in a Consortium can achieve other benefits that would be out of reach if each pathology service stood alone. The Consortium will have access to strategic information and intelligence through a highly motivated and proactive marketing team. It will be possible to use the Consortium as a platform for investment in new products and services that would be financially unachievable as separate laboratories. It will have the ability to drive up standards equitably ensuring the best possible service is available to the patient. The opportunity will exist to achieve a critical mass that will attract other organisations towards the Consortium, either to join in the venture, or send new business to it.

The risks involved in not forming a Consortium range from the commissioners of direct access pathology market testing the service, to each laboratory entering into competition mode and driving down price together with quality. For Portsmouth Hospitals Trust the proposed price adjustment would have an impact of c£2m reduced income p.a.

### **What does this mean for our patients?**

The creation of the H&IOW Pathology Consortium will ensure that there is equity of access for all patients to pathology services across the area. We have pledged to maintain quality in all areas and where there is an existing variance in quality, to move to the highest quality available.

The primary care patients' experience of pathology is generally through the phlebotomy service. Within the Consortium there is significant variability in provision of phlebotomy across the patch. This presents an opportunity for the Consortium to be more involved in the provision of the phlebotomy service, providing improved quality, access and reduced variation. For the inpatient, the essential services laboratories (ESL) will continue to provide access to rapid results when required by their clinicians.

The availability of results through a single IM&T system will improve access and reduce the requirement to take additional duplicate samples.

Larger laboratories will be able to achieve a critical mass, allowing new technologies to be introduced much earlier than would be the case in stand alone local laboratories.

### **What does this mean for our staff?**

The Consortium will build a much closer relationship with the commissioners of pathology services.

There is an initial one off investment to create the Consortium and it will be necessary for the Consortium to recover these costs over a number of years.

This will be achieved by entering into a longer term contract with the commissioners which will provide additional job security for our staff and underwrite the risk to providers of the investment needed in the Consortium to ensure that it is effective.

Within the consortium there will be improved opportunities for training and sub-specialisation which will provide a safer service to the patient and professional development opportunities for staff.

A Consortium of laboratories operating as a single organisation with a dedicated management team will not be wasting energy competing amongst themselves in a saturated market place but working together to win new business and share the benefits.

### **Main decision**

Trust Boards were asked to approve the creation of the Pathology Consortium subject to agreement on the host of the SSO and the terms and conditions of the legally binding contracts between the Consortium partner trusts by the end of March 2012. A Memorandum of understanding was agreed at the beginning of July 2012. This is covered further below.

### **Proposals for services**

This OBC has considered various options of how best to transform pathology services across Hampshire and the Isle of Wight. In order to achieve savings of £7.6m it will be necessary to implement the following recommendations.

#### **To approve the following configuration:**

- single hub laboratory for blood sciences based at PHT
- essential services laboratories for blood sciences at IOW and UHS
- single hub laboratory for microbiology based at PHT
- essential services laboratory for microbiology at IOW
- the Consortium contract microbiology work to HPA
- single hub laboratory for histopathology at UHS
- local histopathology laboratory for diagnostic cytology and histopathology cut up at IOW and PHT
- single hub laboratory for cervical cytology screening at PHT

#### **To approve the proposals on legal entity:**

- the Consortium be run as a Shared Service Organisation (SSO)
- a stakeholder board be responsible for the Consortium with executive representation from providers and commissioners. The three providers will have a single non transferrable vote on a range of matters. There will be HPA and PCT presence on the board – the current suggestion is that these parties will be a non-voting member.
- the Consortium be managed by a team accountable to the board
- Review, in a minimum of two years time, the most appropriate organisational vehicle given the market environment.
- the SSO to be hosted by a provider

### **Current position.**

Following on from the OBC, with the assistance of an external facilitator sourced by the SHA, a Memorandum of Understanding has been agreed.

### **Memorandum of Understanding (MoU).**

This was agreed between the three Trust Chief Executives in July 2012.

## **Status of MoU**

For the avoidance of doubt, this MoU is not intended to be legally binding, and no legal obligations or legal rights shall arise between the parties from this MoU. The parties enter the MoU intending to honour their obligations.

## **Purpose of MOU**

The MoU provides a framework for the delivery of duties and obligations arising from the formation of the Shadow Board for the operation and management of the Hampshire & Isle of Wight Pathology Consortium (H&IOW PC).

**Shared Vision** as detailed above.

## **General Principles**

Good Faith

The parties recognize that it is impractical to make provision for every contingency which may arise during the life of the MoU and they declare it to be their intention that this MoU shall operate between any parties with fairness and without detriment to the interests of any of them and that, if in the course of the performance of this MoU, unfairness to any party does or may result then the others shall use their reasonable endeavours to agree upon such action as may be necessary to remove the cause or causes of such unfairness.

## **Outline Business Case**

All parties accept the OBC as forming the basis of the project moving forward, to be developed and defined further at the next (Full Business case) stage.

The FBC will build upon and validate the OBC including the proposals on configuration and location of services to ensure that they are consistent with the principles and purpose of the consortium.

The principle amendments to the OBC are in terms of the Commercial arrangements; these changes are

Further validation and where required development of the OBC to be undertaken by the Shadow Board to cover outstanding issues raised.

Share of the Project costs, benefits and liability to be IOW (14%), PHT (43%) and UHS(43%).

The business case to be realigned to remove non recurrent transitional financial provision and include a recurrent transfer of £300k from UHS to PHT annually from 2014/15

No costs or charges to consortium from freeing up of existing pathology estate for other uses unless it remains within the foot print of new configuration.

The consortium to initially be a shared services organisation (SSO) with UHS hosting the service.

Karen Baker (IOW acting Chief Executive) to become Senior Responsible Officer (SRO) for the project.

## **Commitments (Summary)**

Each party will nominate one Non executive representative to sit as a voting member on the Shadow Board.

An independent person will be appointed to chair the Shadow Board

Each party will ensure that the project is appropriately resourced, both in terms of financial commitment and availability of shadow board member time.

Each party will make available appropriate resources, staff and information to facilitate the production of the FBC and support any necessary project development work.

Each party will agree and sign off the heads of terms and contracts between the parties.

## **The Shadow Board**

### Membership

Chair person (non executive and independent)

One Non Executive and one executive representation from each party (IOW, PHT and UHS)

The Senior Management Team (when in post – see below)

### Responsibilities of Shadow Board

To oversee the recruitment of members of the Non Executive and independent Chair and consortium Senior Management Team

When established, to take over oversight of the production of a Full Business Case containing:

Validation and, where required, further development of the OBC

Financial analysis of savings and investment required

Confirmation of activity and finance run rates

HR and staff consultation plans

IM&T implementation

Logistics implementation

Risks, issues and mitigation

Plans for Expenditure of £4.4m SHA funding

To take over from the Project Board the Procurement Process for IM&T and logistics.

To agree the arrangements for approval of the FBC by Trust Boards

In all other respects, and when ready to do so, take over the responsibilities of the Project Board.

## **The Senior Management Team**

### Membership

Director of Operations/General Manager

Medical Director/Chief Scientific Officer

Finance Director/Chief Financial Officer

Workforce Director

- Governance will be the accountability of the Non Executives (Chair & NEDS)

Responsibilities of the Senior Management Team.

To implement the FBC

To be accountable to the Shadow Board for implementation and management of the Pathology Consortium

To manage and operate the Pathology Consortium Services across all sites so as to maintain existing customer base, quality and regulatory compliance

To manage and operate all associated contracts so as to maintain quality and regulatory compliance

To provide short papers for information, consultation, endorsement and approval.

### **Duration of (MoU) Agreement**

The MoU is effective from 4<sup>th</sup> July 2012. Its implementation will be reviewed by all parties within six months and no later than by January 2013. The MoU may be reviewed in the light of prospective changes that occur. Any party may request a review which will then be undertaken.

### **Recommendation**

The key action is to agree PHT representatives as part of the Shadow Board and then to move to appoint the Non Executive and Independent Chair and, subsequently, the Senior Management Team.

The next revised Project Board meets in September 2012.