

Examining new options and opportunities for providers of NHS care

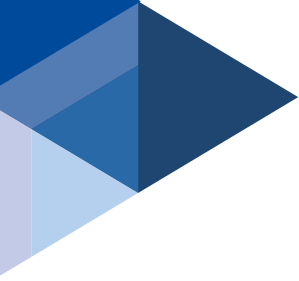
The Dalton Review



December 2014

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The variation in the quality of health and adult social care is too wide. This unacceptable variation in quality needs to be widely acknowledged and addressed.

That care can be delivered in different ways does not justify poor quality for some people, settings or locations. Everyone should receive good quality care, no matter how or where it is being delivered. This means improving the care that is inadequate or requires improvement, while leaving others to flourish to develop their good and outstanding care.

The state of healthcare and adult social care in England 2013/14

Care Quality Commission, October 2014



Letter to the Secretary of State

Dear Secretary of State for Health

It was a privilege to be asked by you to lead this review into exploring ways to address the challenges faced by providers of NHS care. I believe that our NHS is the best healthcare system in the world, yet I know that not all of our patients are experiencing the standards they deserve. The recently published *NHS Five Year Forward View* describes the enormous challenges that the NHS faces. It emphasises that new care models are needed to support and care for people. This is the right approach. Yet, describing new care models is different from delivering them. This Report complements the *Forward View* and provides the organisational ‘delivery vehicles’ that can help translate its ideas into reality. I have confidence that NHS leaders and staff have the will and the capability to deliver what is needed.

We have significant variation in the standards of service provided by our healthcare organisations, and that troubles me. There are some excellent providers and some poor providers – and a lot in the middle. Why should any family have to accept that a relative living in one area can be confident in accessing excellent care whilst another, with the same needs living elsewhere, cannot? We might understand some of the reasons for this variation, but we shouldn’t tolerate the extent of it. All of our staff want to provide the best – and we must do our best to ensure that they can.

Whilst some providers have a track record of high performance, it is increasingly clear that, for a significant number of others, their existing organisational model will not deliver financial and clinical sustainability. The tests for Foundation Trust status, which were introduced 10 years ago, enable proper judgement to be made on good organisational governance and viability – and must be retained. Yet, a decade on, 93 NHS Trusts still have not achieved this standard. This must not continue.

The District General Hospital, established by the 1962 Hospital Plan now, in isolation, can struggle to meet the needs of the population. This is well known to those of us who provide and commission healthcare, and we are now at a point where patients and their families are beginning to understand that too. The time is right to change the way we think about the organisation of service provision. Institutions should not be preserved just because they exist. Boards should not pursue self-protectionist strategies, using the ‘interests of patients’ as camouflage. If an organisation is not able to provide high standards, reliably, to the population it serves, then its continuation in its current form should be called into question. Safeguarding reliable, high quality care to patients is more important than preserving organisations.

There are no ‘right’ or ‘wrong’ organisational forms – what matters is what works. This Report does not champion one organisational model over any other but recognises that it is for our system leaders to pursue the models that will deliver the greatest benefits to the populations they serve.

Some models will enable **collaborative** solutions: where shared services, working across organisational boundaries, meet standards, seven days a week; or where new integrated governance arrangements for primary and secondary care bring greater coherence to a locality. Other **contractual** or **consolidated** models will allow opportunities for successful organisations to bring their proven leadership, processes and expertise into organisations which are unable to demonstrate clinical and financial viability.

Leaders of successful organisations should be ‘system architects’: using their social entrepreneurial spirit to develop innovative solutions to their challenges and to codify and spread their success, so that the best standards of care can be available, reliably, to every locality in the country. I strongly believe that our leaders should be encouraged to be aspirational and to strive for improvement – and that organisational achievement

should be recognised. The Report recommends a system of ‘*credentialing*’ for our best organisations, building on the existing assessment systems of Monitor and CQC and drawing on the evidence of the characteristics of high reliability organisations. This new ‘kitemark’, beyond FT status, would enable commissioners to identify those organisations with the capability and greatest likelihood of successfully spreading their systems into organisations that are in persistent difficulty.

It is notable that all of the European countries we visited have developed new organisational forms as a response to the challenges they faced. Many have seen the development of hospital groups and the use of management contracts. These new forms have enabled the standardisation of best practice – and the delivery of this at a lower management cost overhead. It is perplexing that these forms have not been pursued in England. This may be due just as much to leadership mindset, as to some of the system impediments and weak incentives. This must be addressed.

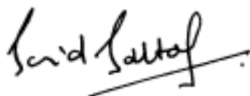
Competition law must not be seen as a barrier to developing innovative organisational solutions. There must be no doubt that patient benefit is and will be the key judgement in progressing new organisational forms. Some have said that it takes too long and costs too much to make changes. I agree – and so this Review makes recommendations to streamline processes, making it easier, quicker and less costly to transact organisational change.

I know that NHS change can be slow, due in part to an institutionally low tolerance to risk. It is important that this time we don’t miss the opportunity to act with urgency. I very much hope that boards will now develop an *Enterprise Strategy* – utilising innovative approaches for growth to deliver better care for patients – and develop the internal capacity and capability required to deliver improvement. Significant support for transactions must be made available to help organisations to gear up to deliver change. I am also recommending that national bodies accelerate change by supporting the costs of initial transactions so that we have **demonstrators**, capable of prototyping the new models and transferring their experience and learning to others.

I am indebted to the people who have supported this Review: to my Expert Panel and to the Chairs’ Group; to colleagues across Europe and the world who have allowed us to have insight into their systems; to the many people who have taken their time to participate in the numerous engagement events and to provide their views. I have been superbly supported by the Department of Health Review Team.

The Expert Panel has looked at the evidence of what works and presented this as a menu of organisational forms. We have listened and found a widespread appetite for change. We believe successful organisations should be encouraged to develop further and support organisations in persistent difficulty. There will be risks in taking this agenda forward, but I am confident that the NHS is capable of managing these. The prize will be a sustainable NHS, for the long term. We must support our NHS leaders and staff to reduce variation currently experienced and to deliver reliable, high quality care to all.

Yours sincerely



Sir David Dalton
Chief Executive
Salford Royal NHS Foundation Trust

December 2014



Executive summary

The NHS is rightly recognised as a world leading health system, highly valued by the public and those who work in it. There have been a number of remarkable successes over the last decade, but not all NHS providers have improved at the same rate, resulting in an unacceptable extent of variation in quality of care across the country. All patients and carers should expect and receive reliable standards of care, no matter where they live.

It is not only currently challenged providers who should strategically consider their future alongside that of their wider health economy partners. The NHS Five Year Forward View signposts the need for new models of care to respond to the challenges faced by the NHS. Even the best providers will struggle to meet the challenges of the future without looking outside traditional organisational boundaries and considering how their form could better support new clinical models and ways of working. Assuring the clinical and financial sustainability of the provider sector requires a wider range of options for both providers and regulators, and these must be embraced by leaders across the sector.

The evidence of the Review identified a number of organisational forms which could help providers to make these changes, which should be considered by all boards as part of their strategic planning processes. The Review also identified barriers and improvements to the system architecture surrounding these models, and makes recommendations to provider boards and to national bodies accordingly.

The organisational forms considered in this Review have different characteristics, benefits and barriers. Many are already being used in the NHS. It is clear that there should be no national blueprint or one size fits all. Accordingly, this Report does not impose wholesale change. It identifies five themes:

- i. One size does not fit all
- ii. Quicker transformational and transactional change is required
- iii. Ambitious organisations with a proven track record should be encouraged to expand their reach and have greater impact
- iv. Overall sustainability for the provider sector is a priority
- v. A dedicated implementation programme is needed to make change happen

i. One size does not fit all

Organisational forms should develop to deliver the models of care which best suit local circumstances. They must not be centrally dictated. System leaders understand their own population need and geographies, and therefore need to be enabled and supported to identify and implement the best clinical models for their patients. In doing so, they need to examine their current organisational form to determine whether or not an alternative form would deliver better outcomes for their populations.

Too often, organisations seek to retain the status quo at the expense of operating outside of traditional organisational boundaries and fail to adopt best practice or pursue wider system leadership which could deliver improvements for patients. Shifting the mindset of board members towards one of joint ownership and governance with other organisations should change the unhelpful perception of service change by boards of ‘winning or losing’ for their organisation to one of ‘winning’ for their patients and wider community.

The Review considered a number of organisational forms which have the potential for wider adoption across NHS providers: federations, joint ventures, service level chains, management contracts, integrated care

organisations and multi-service chains or Foundation Groups. The Report and its supporting evidence packs explore the potential of each form to offer solutions to local challenges. In the future, it suggests, organisations are likely to operate more than one organisational form for their service portfolio.

Who	Recommendation
Trust boards	As part of the 2015/16 business planning process, trust boards should consider their response to the NHS Five Year Forward View and determine the scale and scope of their service portfolios. They should consider whether a new organisational form may be most suited to support the delivery of safe, reliable, high quality and economically viable services for their populations.
Trust boards	Trust boards of successful and ambitious organisations should develop an enterprise strategy and should consider developing a standard operating model that could be transferred to another organisation or wider system.

ii. Quicker transformational and transactional change is required

System leaders need to collectively own the transformation required across their local health economy. Historically transformation and transaction processes have been lengthy and protracted, particularly the early stages of planning and gaining consensus across the local health economy. Simplifying these processes will both accelerate opportunities for improvements in patient care and reduce the costs of transactions. The 'rules' also need to be explained and understood further as perception of competition and legislative issues can cause organisations to become overly risk averse.

Who	Recommendation
NHS England and Clinical Commissioning Groups	<p>NHS England should require Clinical Commissioning Groups (CCGs) to set out in their five year strategic commissioning plans:</p> <ol style="list-style-type: none"> the future care/service models they wish to support; and, how they will use their allocated funds for service transformation to support providers to deliver the agreed transformational and organisational change. <p>Where multiple CCGs and providers are taking forward service transformation across a shared geographical area, NHS England should help broker agreement as to how costs are met between all parties.</p>
Department of Health	A single, unified process with standardised documentation outlining clear criteria should be developed to support future transactions. This should include guidance for all parties including Governors.
Department of Health, Monitor and NHS Trust Development Authority (TDA)	A Tender Prospectus that has the parameters of the transaction clearly laid out should be made available to all potential bidders in the interests of speed and transparency.
Secretary of State for Health	The Secretary of State should set a requirement to the national bodies that, except in exceptional circumstances, all transactions should be completed within one year or less from the time the decision is taken by the board of the NHS Trust Development Authority (TDA) or Monitor.

iii. Ambitious organisations with a proven track record should be encouraged to expand their reach and have greater impact

Transformational change requires strong and capable leadership. There are many successful NHS organisations and individual leaders with a track record of delivering consistently high quality healthcare to patients, but many have not thought beyond their current organisational boundaries. Leaders of successful organisations should become ‘system architects’, encouraged to use their entrepreneurial spirit to develop innovative organisational models and to codify and spread their success to other localities. Recognising these successful organisations, supporting them to develop enterprise strategies that expand their reach and developing new incentives will encourage more successful organisations to have greater impact with less successful ones.

Who	Recommendation
Monitor and the Care Quality Commission (CQC)	A new credentialing process, to recognise successful organisations capable of spreading their systems and processes to other organisations, should be developed by July 2015. This should build on CQC and Monitor ratings, with a good or outstanding rating a prerequisite. Once agreed, Monitor should be responsible for the process and the first wave of credentialing should be completed by October 2015.
Monitor and the CQC	A list of all credentialed organisations should be published on both Monitor and the CQC websites and made available to every Clinical Commissioning Group.
Clinical Commissioning Groups and providers	CCGs and providers should use this list of credentialed organisations to identify new partner organisations most likely to deliver transformational improvement.
Monitor and the TDA	A procurement framework should be developed which allows interested credentialed organisations the ability to register for management contract and acquisition opportunities. This framework should be live from or before April 2016. Inclusion on this register would mean that an organisation automatically passes the pre-qualification questionnaire (PQQ) stage of any tendering processes. The framework should then be used by the TDA and Monitor to procure support for challenged organisations.
Trust boards	Trust boards should consider new operational and strategic leadership roles required in order to support the new organisational models, and put development plans in place accordingly.
Leadership Academy	The Leadership Academy should support the development of the requisite skills and experience for the new operational and leadership roles and build these into the career paths and leadership and development training of current and future NHS leaders.
Department of Health, Monitor and CQC	The Department of Health, Monitor and the CQC should agree a ‘grace period’ for acquiring organisation with an agreed trajectory of finance, performance and quality standards improvement for the acquired or contractually managed organisation, separate from the overall performance of the combined organisations. This ‘grace period’ should take into account historical quality issues and the impact of any agreed financial investment adjustments.
Monitor and the TDA	Monitor and the TDA should ensure that – where appropriate – an acquiring or contractually managed organisation can start to create integrated operational structures, once the Heads of Terms have been agreed, so that these may be run in shadow form prior to the final decision on the transaction being taken.



iv. Overall sustainability for the provider sector is a priority

There are currently 93 NHS Trusts. A proportion of these will become Foundation Trusts, but many will not reach the required standards in their current organisational form. Equally, there are some Foundation Trusts that would not meet the requisite standards for authorisation today and may be significantly challenged both clinically and financially. Long-term solutions need to be identified for these organisations, supported by appropriate governance models, to ensure that all patients can continue to access safe and reliable high quality care.¹

Who	Recommendation
TDA	The TDA should publish the categorisation of and plans for each of the 93 NHS Trusts in the Foundation Trust pipeline, along with the trajectory and milestones for when and how each organisation will achieve Foundation Trust status or other sustainable organisational form.
Department of Health	The Department of Health should hold the TDA to account for meeting the trajectory and milestones for each of the 93 organisations.
TDA	The TDA should consider accelerating the solutions for patients and communities currently served by organisations in persistent difficulty, by running batched procurements for category B1 and B2 ¹ NHS Trusts.
Monitor and the TDA	<p>The buddying system should be expanded, beyond the special measures trusts, into a partnering system to allow organisations with the potential to improve early access to support and guidance from credentialed organisations.</p> <p>Arrangements should be developed to identify and remunerate trusts capable of providing support.</p> <p>Should buddying not result in the required improvement within a defined time period, a re-categorisation of the NHS body should be considered so that further action can be enacted quickly.</p>
Monitor	<p>Monitor should consider using their existing categorisation process to drive more rapid interventions.</p> <p>Where Monitor determines that a FT is in 'persistent difficulty', it should require that FT to produce a plan with clear improvement timescales. If the FT is subsequently unable to demonstrate improvement against this plan, Monitor should compel that FT to present a new sustainability plan. This may include adopting a new organisational form or pursuing a transaction with a 'credentialed' organisation.</p>

v. A dedicated implementation programme is needed to make change happen

In order to implement the ideas in this Report, two activities should occur in parallel: firstly, NHS leaders should be supported to develop awareness and knowledge of the available models and implementation approaches through a widespread programme of sharing learning and best practice; secondly, there should be a programme of demonstrator sites that can stimulate and accelerate change. This programme will support providers to develop and test new organisational forms in practice. Particular attention should be given to supporting successful organisations stepping in to improve delivery of high quality services in challenged health economies.

¹ Category B1 are described as organisations that cannot reach FT status in their current form and where an acquisition by another organisation is likely to be the best route to sustainability.

Category B2 are described as organisations that cannot reach FT status on their own and where a franchise, management contract or other innovative organisational form is likely to be the best route to sustainability.

Who	Recommendation
Department of Health	The evidence and findings from the Review should be communicated across the health sector, alongside the business planning round, through a national programme of learning and sharing best practice.
Department of Health, Monitor and the TDA	The national bodies should support a number of demonstrator sites where organisations implement a change to their organisational form. This should be evaluated and the learning shared with the wider sector.

Conclusion

The extent of variation of standards of care across the country and the challenges all providers of NHS services face must be addressed as soon as possible. The NHS Five Year Forward View signposts organisations to consider new and innovative solutions to address quality and financial challenges; the recommendations of this Review complement the NHS Five Year Forward View and support providers to deliver the changes required. The evidence from the Review suggests that addressing these five key themes will accelerate the transformational change that is required to help overcome the challenges facing the NHS. Effective and speedy implementation is now required in order to have the greatest impact for patients. The government, national bodies and patients should have confidence in NHS leaders to make the necessary changes a reality.

