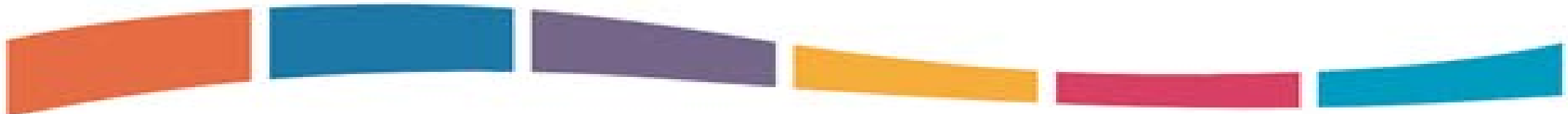




Homerton
University Hospital
NHS Foundation Trust

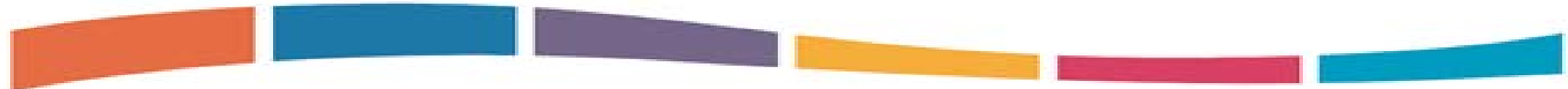
Pathology Partnership

Trust Board
18/12/2019



Contents

1. Introduction
2. Strategic Case
3. Economic Case
4. Financial Case
5. Partnership Case
6. Management Case
7. Recommendation

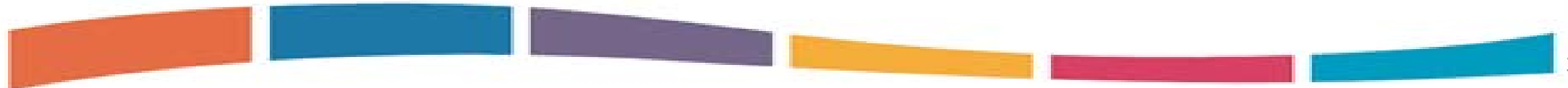


Introduction

Trust Board is asked to approve the Outline Business Case for developing a pathology model in partnership with Barts Health NHS Trust and Lewisham and Greenwich NHS Trust. Approval of the OBC will allow commencement of the detailed planning work and development of the Full Business Case. The FBC will also require Trust Board approval for the partnership to be formed and is anticipated to be completed by the end of March 2020.

The two principal reasons for making this proposal are the benefits which partnerships are known to provide, and recognition that the HUHFT pathology service has been struggling to maintain high quality reliable pathology services. This is not an issue for HUHFT alone. Nationally it is recognised that individual laboratories are unable to keep pace with technological advancements and struggle in competition for scarce technical staff. Hence the national strategy for all laboratories to form networks.

This proposal is about the laboratory services and does not propose any change to clinical services provided to patients or GPs.



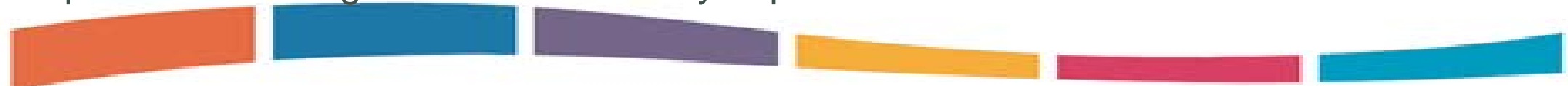
Introduction

The three Trusts came together out of recognition of common aims and in particular a shared ambition for an NHS partnership rather than an arrangement with a commercial pathology provider.

The nature of this proposal:

- Management of laboratory services are retained within the NHS
- HUHFT builds an ESL on site, modernised laboratory layout, new equipment, upgraded ICT
- The pathology services will become a single organisation hosted by BH - all laboratory staff become BH employees
- This service will be managed by a joint board and will be accountable to all three Trust Boards equally with a clear responsibility to deliver quality and financial improvements

The aim for HUHFT is to secure better, more cost effective laboratory services and thereby help secure the longer term sustainability of patient services at HUHFT.



Pathology partnership impact – an overview

Different perspectives



City and Hackney GPs

- Work sent to RLH
- Advice available

Emergency services for patients

- Transition to ESL – 2-4 hour turnaround on site

Pathology Staff

- New ESL on site
- TUPE to BH
- Potential for new roles

HUHFT

- c£1.6m share of partnership savings in steady state
- ICT upgrade

Pathology Partnership

Technology and Systems

- Significant investment
- Assurance for all users essential

CSDO Division

- Staff changes
- Procurement changes

GP/outpatient/other elective for patients

- Non urgent work to RLH

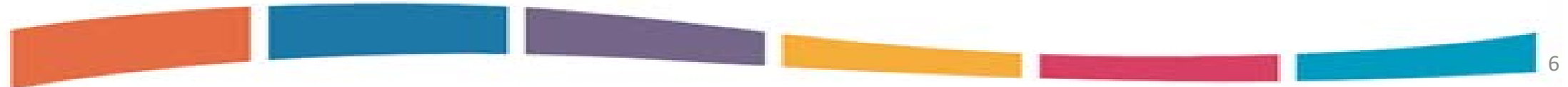
Partnership Arrangements

- HUHFT is founding partner in new model.
- Equal vote
- Shareholding c18%

Strategic Case

There is a clear expectation to realise the following benefits over time, which are in line with a well-established national evidence base for the benefits of pathology networks.

- Improved quality through concentration of expertise, opportunities for shared learning and encouragement of innovation
- Faster response times and higher efficiency across the network resulting in cost savings for all parties
- Reduced variation in standards across the network
- Improvements in training opportunities and working conditions for staff across the network
- Increased strategic alignment between partners, supporting exploration of other opportunities for partnership
- Increased resilience and business continuity resulting from the greater scale of the network
- Realisation of national policy objectives through the formation of a network



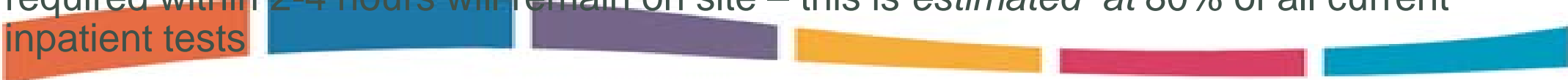
Strategic Case

This is a critical time for NHS pathology services both nationally and locally. The changing needs of an aging population combined with the emergence of new diagnostic tests and techniques are driving an increase in demand in an environment where critical resources are in short supply. To address this within a financially constrained environment, the NHS Long Term Plan requires pathology laboratories across England to form consolidated networks.

HUHFT is the only site within the proposed partnership not to have participated in a consolidation process to date. As such HUHFT currently experiences greater risks of sustainability and struggles with equipment, layout and staff recruitment and retention.

The condition of the HUHFT facility is not up to the required standards for a modern pathology laboratory and therefore a large capital investment is needed. The benefits from the partnership provide a means by which this investment can be afforded.

The Trust is mindful of local concerns regarding change and this development will ensure continued support for emergency services and for the operational flow of the hospital. Tests required within 2-4 hours will remain on site – this is *estimated at 80%* of all current inpatient tests



Economic Case

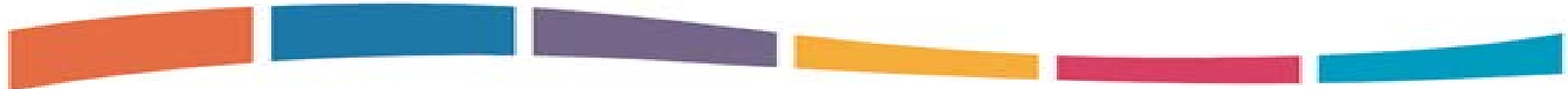
The overarching clinical model is based on the creation of a network of laboratories, centralising laboratory testing where clinically appropriate. The central hub laboratory would be at the Royal London Hospital. This has already been developed as the hub for BH and was recently refurbished and equipped with future networks in mind.

All sites with a laboratory will retain a 24/7 on site laboratory service to ensure all urgent testing needs can be met.

Within the partnership, Lewisham, Whipps Cross, Newham and St Bartholomew's are already developed as local Essential Service Laboratories so do not change much in the proposed clinical model.

Within the proposed model HUHFT will transfer all non-essential tests to RLH. The detail of exactly which tests are essential is to be developed within the Full Business Case.

Queen Elizabeth Hospital has a comprehensive laboratory. The preferred option will have migrated non-urgent testing to RLH. QEH will become an ESL or and ESL + GP Direct Access tests, subject to a current commissioning tender exercise for GP Direct Access in SE London.



Financial Case

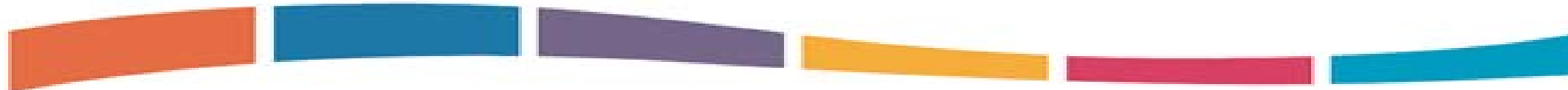
From a financial perspective, all the options considered deliver savings to a varying degree. The preferred option in terms of savings net of investment is Option 3B, producing estimated savings of £61.0m. The table below provides a detailed summary of savings by Options as a total over the 10 years. This figures will be reviewed in detail for the Full Business Case

Summary of Savings by Option (£ 000s)

	Option 4	Option 3B	Option 3A	Option 2	Option 1
Materials	26,266	26,266	19,198	19,198	19,198
Labour	41,814	40,570	33,408	15,947	5,700
Overheads	(5,944)	(5,819)	(5,896)	(5,048)	(2,108)
Total	62,136	61,017	46,710	30,097	22,790
Capital	(4,969)	(4,969)	(4,969)	(4,869)	(992)
Total	57,167	56,048	41,741	25,228	21,798

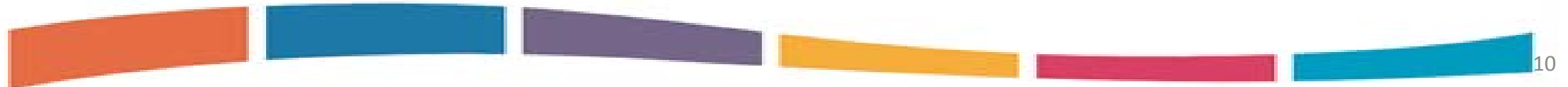
The steady state estimated savings for each option per year are:

- Option 4: £9m per annum
- **Option 3B: £8.7m per annum**
- Option 3A: £6.8m per annum
- Option 2: £4.3m per annum
- Option 1: £3m per annum



Financial Case

- The preferred option, produces total savings of up to £61.0m and steady state annual savings of up to £8.7m. The savings arise from staff savings from economies of scale and procurement savings calculated, assuming each provider will migrate to the lowest prices currently available within the partnership.
- Based on these savings expectations, the payback period for the partnership for is approximately 4 years after considering the required capital investment (including ICT)
- The options were modelled on a straight-line basis as a savings model, comparing the current baseline over 10 years with the target operating model over 10 years. A few key assumptions were made:
- The total investment required in capital, ICT and transition costs to establish the partnership has been calculated at £10.7m and includes £1.5m in contingency. This figure will be refined and finalised during the FBC.



Partnership Case

The partnership case sets out the formal arrangements within which the partnership will function. The key elements which enable each Trust to be confident in supporting the OBC are as follows:

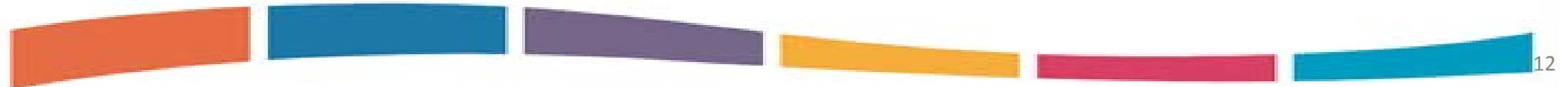
At OBC stage the commercial elements are agreements of principles. Detailed commercial terms continue to be developed through to the FBC stage.

The commercial terms include three key mechanisms by which each Trust will continue to maintain control, creating in effect a “triple lock” on the future running of the partnership:

- One of the agreed commercial principles is that each Trust will have equal voting rights. HUHFT will have an on-going and equal voice in the key decisions associated with the partnership.
- Each Trust will be able to specify a list of ‘Reserved Matters’ these will be issues where a trust want to reserve a right of veto over partnership decisions, or to assert that for a specific issue they have sole decision making authority. It should be possible to identify most of these areas of concern prior to creation of the partnership agreement. There will also be a mechanism for additional reserved matters to be added at a later date.
- The partnership will produce an annual business plan detailing the plans for the coming year. All three Trusts will agree this plan thus defining the specific parameters for the partnership for the year.

Partnership Case

- The aim of the partnership is to create an Arm's Length Hosted Organisation. The Host would be BHT to which all the laboratory diagnostic staff, equipment and assets would transfer. To ensure that all the Trusts have control over the service as per the agreed commercials, a Partnership Agreement will be signed and will underpin the creation of the joint collaborative service.
- This means that while operationally, the new service would be a division within BHT, all the partners will benefit and share on the risks and decision making as per the terms of the partnership agreement, with the three key terms of equal voting rights, reserved matters and business plan approval being part of the agreement.
- To minimise disruption to the financial flows at each Trust, it has been agreed that the GP Direct Access income will remain with each Trust, while the tests are performed by the partnership which will charge a cost per test to the Trust.
- The aim of these arrangements was to ensure that each Trust felt an equal member of the partnership, in control of the operation and with a fair share of risks and benefits.



Management Case

- The decision on the development of a preferred model up to FBC standard requires a clear governance structure and commitment by the teams. The management case provides details on how this would develop and sets the expectations for key members of the team that will be required to support the next phase, FBC and implementation / transition.
- In addition to supporting these key posts, another important input during FBC development and beyond will be a robust communications plans that ensures a clear and consistent message is shared with all stakeholders. Such a programme, which will evolve during development of the FBC, will include commitments to maintaining quality and a strict commitment that service changes will depend on quality gateways being achieved prior to any transition.
- A key risk and main requirement in the implementation for the collaboration of pathology services is the integration of Laboratory Information System (LIMS) across sites.



Management Case

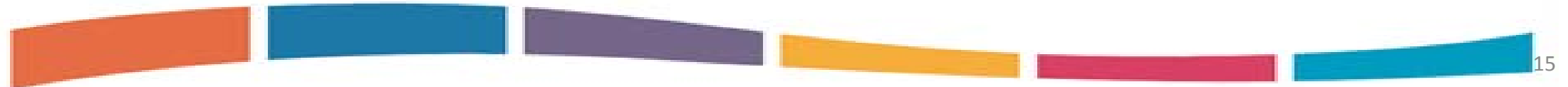
In relation to the timeline for the completion of the FBC, it is expected that this would be completed in the spring of 2020. At which point the final approvals and transition period will start. The Management case provides a detailed Gantt chart with all the key actions required, however, the key milestones are:



Conclusion

The work to date has shown that

- The new model described is clinically viable
- The new model described is in accordance with NHSI requirements
- The work to date has shown that the financial assumptions are sufficient to confirm that savings can be achieved which are greater than any savings the Trust could make in isolation
- There is a clear need to implement a solution that will mitigate the risk of the current infrastructure
- The Trust can make the necessary capital investment
- Clinical services will receive at least as good a service with a view to fuller automation and digitisation over time resulting in efficiency gains and greater opportunities for staff development and flexible working



Recommendation

If the OBC is approved, the FBC will be developed through an iterative process whereby detailed updates are produced for the preferred option only. This will also include detailed models for the following:

- An update of the test distribution model;
- Staffing models, including rotas;
- Equipment transition plans;
- Calculation of infrastructure costs and capital;
- Drawings and designs for floor layouts to understand infrastructure costs;
- Detailed costs for LIMS implementation;
- Updated logistics route plans and costs;
- An update to commercials, developing the basis for the partnership agreement;
- Detail on management team, costs, transition plan and transition costs;
- Sign-off on the risk register and mitigations by clinicians and operational teams; and
- An update to the financial model.

The Trust Board is therefore requested to approve the Outline Business Case and the continued development of the Full Business Case and to note that a formal announcement that BHT, HUHFT and LGT intend to form a pathology network will be made if approved

