

# **Delivering the 2015 Spending Review objective of successful NHS partnerships with the private sector**

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## Reform

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## About this paper

In November 2015, the Government made a commitment to “encourage long-term partnerships between the NHS and the private sector to modernise buildings, equipment and services, and deliver efficiencies”. Because partnerships are a means to change NHS services and care models, they will help to deliver the vision of change set out in NHS England’s *Five Year Forward View*. The authors would like to thank Alliance Medical for supporting this publication and its accompanying seminar, as well as Guy Blomfield, Group Chief Executive Officer of Alliance Medical; Roger Spencer, Chief Executive, The Christie; Christopher Tilley, Partnership and Service Development Manager at Baxter Healthcare; and Luella Trickett, Senior Government Affairs and Public Policy Manager at Baxter Healthcare, for their assistance with this paper.

In the November 2015 Spending Review, the Government pledged to “encourage long-term partnerships between the NHS and the private sector”.<sup>1</sup> It intended that such partnerships should “modernise” NHS services and deliver “efficiencies”. It highlighted the potential contribution to better diagnostics and the development of new models of care.

Private-sector companies play a much larger role in the NHS than is often realised. The main Department of Health definition is the amount spent by NHS commissioners on independent-sector providers. That stood at £6.91 billion in 2014-15, or 6.3 per cent of all NHS spending (up from £6.47 billion in 2013-14).<sup>2</sup> That figure, however, ignores the activity carried out on behalf of the NHS by independent contractors such as pharmacists and dentists. A recent estimate on the wider definition placed the level of spending on the private-sector contribution at around £31 billion.<sup>3</sup> The true figure will be higher than that since, as the Kings Fund has noted: “Private companies provide a vast range of products to the NHS – medicines, CT scanners, radiotherapy machines, beds to name but a few.”<sup>4</sup> The Spending Review commitment therefore goes with the grain of life in the NHS.

This paper makes recommendations on the achievement of the Spending Review pledge drawing on two case studies of existing NHS partnership and one supporting seminar.<sup>5</sup> Both case studies are partnerships with The Christie NHS Foundation Trust in Manchester, recently ranked as the most technologically advanced cancer centre outside of North America.<sup>6</sup> It is the largest single-site cancer centre in Europe, treating more than 44,000 patients a year.<sup>7</sup>

The first partnership example is the collaborative network, chosen by NHS England and including Alliance Medical, The Christie Hospital in Manchester, other NHS hospitals and universities, to deliver PET-CT (positron emission tomography-computed tomography) in England.<sup>8</sup> The Molecular Imaging Collaborative Network will provide more than 50 per cent of NHS PET-CT scans over the lifetime of the contract. For Alliance Medical, annual revenue from the contract begins at around £30 million and will vary according to demand, which is expected to rise strongly, and according to service quality, partly measured by patient satisfaction.<sup>9</sup>

The second example is the aseptic compounding services provided by Baxter to The Christie. The company’s partnerships with The Christie began in 1994. The current ten-year contract for aseptic production began in April 2016, with a particular focus on aseptic production of intravenous (IV) chemotherapy. Baxter currently provides around 90,000 doses of IV chemotherapy to the Hospital each year, to around 40,000 patients.<sup>10</sup> The value of the contract will vary according to the volume and cost of drugs compounded. Baxter operates a purpose-built aseptic production unit two miles from The Christie, as well as providing staff on-site. Baxter provides similar compounding services at Oxford University Hospitals NHS Foundation Trust and the Mount Vernon Cancer Centre at East and North Herts NHS Trust.

## Focus on outcomes and the true contribution of partners

According to The Christie’s Chief Executive, Roger Spencer, what distinguishes successful partnerships is a focus on outcomes that the NHS wants to achieve, and a genuine sense of the contribution made by private-sector partners.

1 HM Treasury, *Spending Review and Autumn Statement 2015*, 2015.  
 2 Department of Health, *Annual Report and Accounts, 2014-15*, 2015.  
 3 Sarah Lafond, Sandeepa Arora, Anita Charlesworth and Andy McKeon, *Into the Red? The state of the NHS’ finances* (Nuffield Trust, 2014). Based on data from the Department of Health (2014); quoted in *NHS Partners Network, 15 Years of Concordat: reflection and renewal*, 2015.  
 4 The King’s Fund, ‘The King’s Fund verdict: Is the NHS being privatised?’, Webpage (19 March 2015).  
 5 *Reform* policy roundtable, ‘Seizing the opportunity: partnership after the 2015 Spending Review’, 5 April 2016.  
 6 Top Master’s in Healthcare Administration, ‘30 Most Technologically Advanced Cancer Centers in the World’, Webpage (24 March 2014).  
 7 The Christie NHS Foundation Trust, ‘A profile of The Christie’, Webpage (25 April 2016).  
 8 Alliance Medical and The Christie NHS Foundation Trust, *Transforming NHS PET-CT for the Future – the Next Ten Years*, 2015.  
 9 Research interview.  
 10 Research interview.

Alliance Medical brought a vision of a collaborative network that would lift the diagnostic infrastructure in England to a new level. Such a network would not simply provide diagnostic scans. It would provide training and education for radiologists, technologists and radiographers through a School of Oncology provided by The Christie. It would also generate data for researchers at The Christie and other academic institutions.

Alliance's status as a major company operating diagnostic services in six European countries means that it can deliver the number of scans needed to improve access for patients. It will invest £80 million to improve the current infrastructure and increase the number of sites at which PET-CT services are delivered, both fixed and mobile.<sup>11</sup>

In the case of Baxter, the outcome for The Christie is the resilience of the supply of high-quality aseptic products. As Spencer put it, the desired outcome is not the delivery of a bag of aseptic drugs: "it is reliable, sustainable, high-quality delivery". If The Christie undertook its own manufacture, it would run the risk of losing supply for some time if there was an error.

The need to deliver resilience was the key element of the tender process for aseptic production, and Baxter had the scale and experience to provide it. It was able to explain how it would maintain supply in the face of many different risks, from equipment and IT failure, to adverse weather conditions, to a breakdown of the van that delivers the treatment. Investment in the training and revalidation of staff is a key element.

Improving outcomes, and finding new care models to achieve them, is at the heart of current NHS policy embodied in the Five Year Forward View.<sup>12</sup> In the supporting seminar, both the NHS and other organisations supported the current vehicle to deliver the *Five Year Forward View*, Sustainability and Transformation Plans (STPs), as a catalyst for new thinking. NHS England introduced STPs in December 2015 with the following ambition: to "help ensure that the investment secured in the Spending Review does not just prop up individual institutions for another year, but is used to drive a genuine and sustainable transformation in patient experience and health outcomes over the longer term".<sup>13</sup>

The STP process is supported by a Sustainability and Transformation Fund, standing at £2.1 billion in 2016-17 and rising in £3.4 billion in 2020-21. In 2016-17, however, nearly all of the fund (£1.8 billion) will be used to prop up providers in financial deficit. NHS England report that "an increasing share of the growing fund [will be] deployed on transformation" from now on.<sup>14</sup>

## Flexibility and shared governance

One stereotype of private-sector involvement with public services is that the relationship is adversarial, with the private-sector provider able to take advantage of the public-sector commissioner. Another is that contracts are inflexible so that public-sector bodies end up paying unfair costs. The Baxter and Alliance examples show that, at least in these cases, that stereotype is entirely misleading.

In both contracts governance over the partnership is shared. For Alliance, this is expressed in a formal governance board including regional representatives of the 30 NHS institutions participating in the research network, patient groups and commissioning bodies.<sup>15</sup> The governance board oversees performance and clinical standards. For aseptic production, Baxter and The Christie meet formally twice per month both to review performance and to discuss wider issues that may impact on the contract on the longer term. Both The Christie and Baxter are committed to improving their own processes if that will improve the working of the contract.

<sup>11</sup> Research interview.

<sup>12</sup> NHS England, *Five Year Forward View*, 2014.

<sup>13</sup> NHS England, 'Re: Developing Sustainability and Transformation Plans to 2020/21', Guidance letter, 16 February 2016.

<sup>14</sup> Ibid.

<sup>15</sup> Alliance Medical, *Transforming NHS PET-CT for the Future – the Next Ten Years*.

The contracts are also flexible. The contract for aseptic production allows for renegotiation in the case of wider changes in the NHS, for example, such as changes to tariffs. Chris Tilley, Partnership and Service Development Manager at Baxter, described the contract as a "living document".

## Commercial skills

Much discussion of partnership in other areas of government starts with the idea that public-sector commercial skills must be improved.<sup>16</sup> The supporting seminar for this project revealed a residual nervousness among some NHS leaders on entering contract negotiations, due to a sense that their organisations had entered into poorly framed agreements in the past. Others, however, emphasised that such skills do exist within the NHS. Many NHS organisations have deep experience in negotiating contracts. Organisations with particular expertise, such as The Christie, are willing to share their experience with other organisations.

Interviews for this paper emphasised that successful partnerships require careful preparation. Preparations and negotiations for the Alliance contract took two years, and for the Baxter contract, 18 months. The parties to the contracts felt that the time involved was reasonable given the need to define the desired outcomes as best as possible, and the need to ensure value for money.

## The role of central government

The supporting seminar concluded that central government should resist the temptation to direct the NHS towards partnerships, perhaps by introducing new frameworks or template contracts. As noted above, successful partnerships respond to local circumstances. They stem from local understanding, and creative thinking, on how services can improve for the long term. Central direction, however well-meaning, cannot capture or reflect that understanding.

The role of the centre should be to challenge the idea that partnership is in some way contradictory to the spirit of the NHS. For some, the sense of controversy around partnership can be a barrier to beginning a conversation. While some groups will always oppose private-sector involvement, the Government can point out that those groups do not represent the mainstream view. Different polls report that well over half of the population are open-minded about private-sector or charitable provision.<sup>17</sup> The Government needs to make the case that a publicly funded NHS can be provided by different groups, as other governments have argued before.<sup>18</sup>

More broadly, the Government should act on the recommendations of the Rose review of NHS leadership. That review reported that the NHS is "drowning in bureaucracy", in particular the very many requirements for data collection from the various NHS authorities.<sup>19</sup> It rightly found that NHS leaders are distracted from strategic questions about service improvement, which would include partnership. The review states:

<sup>16</sup> See for example House of Commons Committee of Public Accounts, *An update on Hinchingbrooke Health Care NHS Trust, Forty-sixth Report of Session 2014–15*, HC 971 (London: Stationery Office, 2015): "As we have reported before, public bodies will not achieve value for money from their contracts until they become more commercially skilled; both in letting contracts in the first place, but also in ongoing contract management." See also National Audit Office, *The franchising of Hinchingbrooke Health Care NHS Trust*, 2012: "Circle's projected savings of £311 million over ten years are unprecedented as a percentage of annual turnover in the NHS."

<sup>17</sup> In August 2014, a Populus poll found that 62 per cent of voters agreed with the statement, "It shouldn't matter whether hospitals and surgeries are run by the government, not-for-profit organisations or the private sector, provided that everyone including the least well off has access to care." 14 per cent disagreed: *Reform*, 'Populus Polling Summary: NHS tax reform summary', August 2014.

<sup>18</sup> Speech by Rt Hon Alan Milburn MP to the New Health Network, 14 January 2002: "We are in negotiations with BUPA about turning one of its hospitals over to the exclusive use of NHS patients. It will be run by BUPA but as part of the NHS. We will look to establish similar ventures in the future both from the domestic independent sector and from the sector in other parts of Europe that may wish to establish a presence in England. Like the use by the NHS of spare capacity in private hospitals this is all about expanding the volume of care available to NHS patients. There is no blank cheque. It is right that patients get the highest standards of care and taxpayers are assured of good value for money. But this is a relationship that is for the long term. It is not a one night stand."

<sup>19</sup> Lord Rose, *Better leadership for tomorrow: NHS leadership review* (Department of Health, 2015).

“Management itself is often far too tactical in its behaviour; there is not enough strategic thinking. Great commercial organisations tend to spend more time thinking about the future”.<sup>20</sup>

## Conclusion

In its corporate video, The Christie includes this statement: “Partnerships with organisations outside the NHS have been very important to The Christie. They offer that commercial expertise that can benefit patients and benefit the NHS.” While it may be controversial to some in politics, NHS leaders see their partnerships with external organisations from the independent sector as integral to their mission. They are a means to the end: better patient care. The success of the Spending Review pledge depends on the ability of NHS leaders and partners to identify creative means to improve outcomes, based on the distinctive contributions of both partners.

These case studies demonstrate that partnerships can be flexible and future-proof. Partnerships on this scale should not be taken lightly – they take time and resources to plan and organise. That commitment of resource is however reasonable given the need to achieve value for money and the opportunity to improve outcomes.

The financial pressure on NHS organisations will be a catalyst to engage in new thinking, as it has been in other parts of the public sector. The goal of partnership, however, should not be simply to reduce costs. Such an approach would ignore the definition of desired outcomes, and the understanding of each partner’s contribution, which are the essential success factors. Successful partnership should nevertheless improve efficiencies by finding new and better ways to deliver services.

The key role for central government is to describe accurately the positive contribution that partnerships are already making. The pledge in the November 2015 Spending Review is a good example. The *Five Year Forward View* is clear that NHS models of care should change in order to deliver better outcomes. This is the ideal impetus for the NHS to seek new partnerships to achieve that.

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<sup>20</sup> Ibid.

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