STRONGER together

The proposed merger of Ealing Hospital NHS Trust and The North West London Hospitals NHS Trust

London North West Healthcare NHS Trust

Final draft Full Business Case

Executive summary

Ealing Hospital NHS Trust

The North West London Hospitals NHS Trust

Executive Summary

INTRODUCTION

This Full Business Case (FBC) makes the case for a merger of Ealing Hospital NHS Trust - Integrated Care Organisation (EHT-ICO) and The North West London Hospitals NHS Trust (NWLHT).

The FBC has been developed from the Outline Business Case (OBC) which was approved by both organisations' Trust Boards and NHS London in November 2011. Since the OBC was approved a number of important documents have been written which support the FBC (as set out in Table 3 in the final draft FBC).

It is important to emphasise and reassure readers that the business case is for organisational change, not service reconfiguration. The challenges facing both Trusts are likely to require service changes in the future but this process is being led by NHS North West London as part of the *Shaping a Healthier Future* (SaHF) programme. As described in chapter 4, SaHF will be the subject of separate formal public consultation and local scrutiny during summer 2102. The merger proposals described in this FBC are entirely separate.

Commissioners (currently Primary Care Trusts but increasingly Clinical Commissioning Groups) rightly want to change the services that they buy to ensure that they meet the standards that would be expected of a modern health service. In particular this involves care for rarer conditions requiring expert treatment in fewer, more specialised centres and care for common conditions being provided as locally as possible and ideally in or close to patients' own homes. In response the two Trusts have developed a shared service vision which aims to meet these challenges. The new Trust's vision is to provide high quality care across all three boroughs and to maximise the benefits of integrating community and hospital services for both patients and staff. The merger will also ensure financial sustainability for the new Trust.

The structure of the FBC is based on NHS guidance and includes the following chapters.

CHAPTER 3 - PROFILE OF THE TRUSTS

EHT-ICO and NWLHT are two of the seven acute Trusts serving the 1.9 million residents of North West London (NWL). Both Trusts are committed to delivering high-quality care to patients, and share a common vision for improvement. There is also a significant clinical overlap in the services

currently provided by EHT-ICO and NWLHT and both Trusts have well established clinical networks between themselves (e.g. for vascular and maxillo-facial services) but also with other local Trusts, notably Imperial Healthcare NHS Trust (ICH) which, for example, provides renal dialysis services for both Trusts.

Following establishment in April 2011, EHT-ICO comprises a single acute hospital site with more than 350 beds (and a £125m budget) and also provides community services (160 beds and £97m budget). EHT-ICO is a financially stable organisation and over time (as described in chapter 8) is projected to generate a total surplus of £18.5m by 2015/16.

NWLHT is based on two acute sites - Northwick Park Hospital (NPH) (which includes St Mark's Hospital) and the Central Middlesex Hospital (CMH) sites, with 680 beds and a budget of £369m. Over recent years NWLHT has not been able to achieve recurrent financial balance and has applied to the Challenged Trusts Board (CTB) for release of funding to pay off its historic debt[1]. Over the period to 2015/16 the Trust is forecast (chapter 8) to continue delivering a deficit in each year.

Both Trusts have had a good track record of delivering operational targets, however NWLHT and NPH in particular has struggled to deliver consistent performance against the four hour wait standard for A&E.

Current performance against clinical indicators is mixed – while both Trusts are proud of their excellent mortality rates, NWLHT is struggling to achieve this year's Health Care Acquired Infection targets.

CHAPTER 4 - COMMISSIONING STRATEGY IN NORTH WEST LONDON

Healthcare is commissioned from both Trusts by NHS North West London which includes the three local boroughs of Brent, Ealing and Harrow. All three boroughs share wide variations in current levels of deprivation, health needs and health outcomes.

In addition the boroughs face common future public health challenges, including population growth, changing demographics and an increasing prevalence of lifestyle-related diseases. Local health priorities include a greater focus on preventing disease; improving access and delivering care in the community; increasing the consistency and quality of care; improving clinical outcomes and strengthening the patient experience.

[1] As of March 2011

The local NHS and other stakeholders recognise that a change in the way services are currently organised and delivered is required in the light of these challenges. There is broad agreement among both providers and commissioners that in a budget-constrained environment, scarce resources are best deployed by delivering care in the community wherever possible and clinically appropriate, rather than in hospital.

Improving patient care will require close joint working across primary, community and acute (hospital) services, as well as greater levels of integrated care across providers and consolidation of specialist services onto fewer sites.

NHS NWL published their case for change (called 'Shaping a Healthier Future') in January 2012 and has subsequently developed a new categorisation for existing hospitals and the services that should be provided by them. These options will be included as part of a formal public consultation due to commence in summer 2012.

CHAPTER 5 - THE CASE FOR MERGER

As a result of NHS NWL's commissioning intentions, described in chapter 4, the two Trusts will need to deliver increasingly rigorous quality standards with less money as secondary care hospital income is being reinvested into providing care closer to home.

A key consequence of these plans is that, despite population shifts, it will not be possible to increase the scale of the Trusts' hospitals to meet clinical quality goals simply by growing and generating more income.

Smaller hospitals will find it increasingly difficult to fulfil commissioning standards and other quality requirements. EHT-ICO in particular, lacks critical mass in key acute specialties when compared to other Trusts and NWLHT faces similar future challenges in some areas such as A&E where the Trust has struggled to recruit sufficient A&E doctors. Furthermore, at a time when the NHS wants to concentrate as much resource as possible on direct patient care, larger organisations, through economies of scale, are better able to reduce their managerial and 'back office' overheads.

To have a sustainable future as a standalone organisation EHT-ICO would need to increase the number of key staff – particularly consultants – and increase the availability for some specialised tests and therapies on a 24/7 basis. Even if finances were readily available, critical clinical mass for EHT could only be realised through a substantial increase in the volume of work performed at EHT-ICO. If the volume did not increase then efficiency would deteriorate and some specialised teams would not have sufficient work to

reach the minimum requirement to maintain their skills and meet commissioning standards. The adverse financial environment and demanding commissioning intentions make this scenario untenable.

NWLHT, with NPH operating as a major acute site, has a larger critical mass and so has less immediate concerns about clinical sustainability but even for NWLH, additional benefits and resilience would be provided through larger teams and joint working with EHT. This is particularly important in A&E where the Trust performs poorly partly due to staffing shortages.

Both Trusts have concluded that they cannot support the new commissioning standards and reduced income forecasts alone. Put simply a merger is needed so that both Trusts can improve the quality of services for the local population by pooling clinical resources, cutting waste and duplicate administrative costs.

The Boards of both Trusts agree that, despite the tough local environment, the proposed merger will create a healthcare organisation with sufficient critical mass, scope and ambition to deliver the following vision:

> *"To provide the best quality healthcare in the best place: home, community or hospital by being responsive innovative and ambitious."*

Central to the Trusts' future vision is a greater focus on preventative care and on the needs of those with long-term conditions – healthcare needs that will largely be met in community and primary care settings. In recent years, some progress has been made towards the goal of providing effective, readily accessible care outside of hospitals. EHT has already made significant strides towards achieving this by forming an Integrated Care Organisation (ICO). This means that Ealing residents receive care from staff working in teams across traditional hospital and community boundaries. By merging the Trusts it is anticipated that it will be possible to improve care on a wider scale across three boroughs as the acute services currently within the NWLHT will also become more community focused and as a result provide more seamless care to local patients.

In addition to the economies of scale achieved by integrating a large major acute hospital with a large ICO, both Trusts believe that the merger will also benefit patients accessing both emergency and elective care. This is because the two Trusts will be able to base services around larger, more senior and more specialised clinical teams, with access to the right equipment to support best and innovative practice.

CHAPTER 6 - CLINICAL VISION FOR THE NEW ORGANISATION

To achieve the clinical vision, the new Trust will need to be a clinically led and patient centred organisation. It will aim to nurture and promote excellence in all aspects of clinical work; to listen and respond to patients and partners and to recruit, develop and retain the very best staff.

Clinical leadership and involvement is central to the success of the merger as it is only through real engagement of clinical staff that the benefits of improved patient care and efficiency will be realised. The new organisation will therefore be arranged into the following five clinical divisions led by a senior clinician as Divisional Group Director:

- Locality-based services
- Integrated medicine
- Surgical services
- Women and children's services
- Clinical support services

The locality based services divisional management structure will be based around the three boroughs and will include local GP representation at this level on the management board.

Given the strong link between delivering high quality training and clinical care and staff satisfaction, the vision for the new organisation includes a commitment to excel in teaching and training. Both Trusts have a strong track record of teaching and training medical and non-medical staff and this will be further developed as part of the new Trust. The new Trust will also need to ensure that training does not suffer during the transition phase.

Finally the new Trust plans to maintain a robust approach to research, development and innovation based on current good practice within existing Trusts.[2]

CHAPTER 7 - CLINICAL BENEFITS OF THE MERGER

The new organisation aims to deliver greater care of a higher-quality in the community, with an increased access to specialised services across the three boroughs. Staff will have new career opportunities, as well as better training and support. The local health economy will benefit from more efficient resource allocation within a stable and viable organisation. This chapter

[2] NWLHT currently holds second pole position in the North West sector for Comprehensive Local Research Network (CLRN) income and EHT has a large scale observational study relating to cardiovascular disease in its portfolio that accrues well against CLRN targets.

explains how clinical benefit can be achieved even in the short term, without significant service reconfiguration.

Case studies have been prepared to show how the potential benefits of merger will be experienced, with a particular focus on better outcomes and an improved patient experience.

In summary, as well as providing a safe route for business continuity, the proposed merger offers opportunities to organise the delivery of healthcare services in new and innovative ways. The new Trust will have the potential to improve patient experience and clinical quality, while reducing total cost and making the most of the expertise that is available.

CHAPTER 8 – FINANCIAL EVALUATION

Clinical quality is the key driver for the proposed changes and the Boards of both Trusts believe that the merger will deliver significant clinical benefits for patients. At the same time the merger will also provide important financial benefits, without which clinical delivery would in any event suffer. As described in chapter five, without an increase in the scale of operations and the opportunity to develop services along patient pathways, it will prove increasingly difficult for the individual Trusts in the longer term to continue to deliver the additional efficiencies and productivity improvements required to meet anticipated reductions in overall contracted income and invest to enhance quality of care.

A financial assessment of current commissioning intentions and the likely effect on Trust income over the next four years, demonstrates that EHT-ICO would continue to deliver a surplus (£10m annually by 2015/16) and confirms that NWLHT is not financially viable if it remains as a standalone Trust.

The challenge for EHT-ICO is not primarily financial as the forecast activity which underpins the positive financial position may not be sustainable in the future. As described in Chapter 4 Commissioners will increasingly only commission services from sites that can meet the rising quality standards expected, which Ealing may struggle to meet (examples are described in Chapter 7). The solution for both Trusts is a merger that makes them stronger together as it will create an organisation which has both the clinical critical mass and the financial basis required to become a Foundation Trust.

In the short and medium term, savings will be generated from improving productivity; reducing headcount and temporary and agency staff spend; reducing “back-office costs”; capturing merger synergies; reducing the costs of hospital stay by improving community care and improving estates utilisation. By 2015/16 annual savings will equate to over £140 million.

The analysis in Chapter 8 shows that the new Trust will have the capacity to deliver a 1% surplus (£6.3m) by 2015/16, have the financial sustainability required for authorisation as a Foundation Trust and have a closing cash balance of £57.9m which would meet the Monitor requirements.

To achieve this sustainable state, the new Trust would require a total of £96.5m of external funding support. This amount is made up as follow:

- Non recurring transitional funding of (£16.2m) to cover short term deficits of the merged Trust in 2013/14 and 2014/15
- Future liquidity requirements of (£27.3m)
- One off implementation costs of merger (£30.4m) over a four year period
- Historic deficits of NWLHT and PDC support (£22.6m)

NHS North West London has committed £33m, funding support principally from the Challenged Trust Board (CTB). The balance of the funding support required (£63.5m) will be resolved by further discussion with NHS London, DH and the Commissioners to agree the source of the cash support requirements through to 2015/16. From 2015/16 the new Trust would be viable without further need for financial support and would deliver a significant return on investment of £20.1m by 2015/16 (Table 15) for the taxpayer. Without this support the organisations will continue to record declining financial performance and need ever increasing subsidies.

NWL Commissioners have indicated their wish to re-configure clinical services in the region and Commissioners have prepared a PCBC, including financial models showing the impact of the changes on individual trusts, which identifies a preferred option and two alternative options. Both Trusts are familiar with the modelling undertaken by the Commissioners and the main assumptions supporting the modelling. The modelling shows that after service changes there would be a deficit of between £2m and £6m depending on option selected for implementation. The modelling also shows that NWLHT (as an individual Trust) would require a subsidy of between £12-15m to achieve a 1% surplus in 2014/15 under the preferred option and the two alternative options. No subsidy would be required for EHT.

The Commissioners modelling is on a pre-merger basis. The merged Trust LTFM shows that the Trust will generate merger savings of £21.1m by 2014/15. This coupled with the annual surpluses of over £3.3m being generated by EHT ICO – Community Arm by this time more than offset the deficit identified by Commissioners and still permits the merged Trust to be financially sustainable and meet the Monitor FT requirement of 1% surplus.

CHAPTER 9 – THE NEW ORGANISATION'S STRUCTURE & GOVERNANCE ARRANGEMENTS

The new organisation will be centred on the needs of patients and will step beyond traditional divisions between specialist, acute and community care. In order to deliver the clinical vision described in chapter six the new organisation's clinical vision needs to be more than simply a response to likely financial or organisational challenges. The new Trust will need to deliver high-quality care to the diverse local population in an accessible and effective manner. Its creation will enable new and innovative services to be delivered and improve patient choice and competition.

As described previously, the clinical divisions will form the driving force of the merged organisation, with responsibility for continuous improvement in the quality of patient services in line with best practice and reflective of the new organisation's vision and values.

At the same time, the new Trust Board will maintain an appropriate balance of skills and experience to ensure that it is fit for purpose as both an NHS Trust and ultimately a Foundation Trust.

The Trust Board will delegate its assurance functions to the following five committees; Audit Committee, Remuneration and Appointments Committee, Quality and Governance Committee, Finance, Investment and Workforce Committee and Risk Committee.

The Chief Executive, executive directors[3] and non-board directors will be responsible for the operational management of the Trust.

The Trust will adapt the structure to include a Council of Governors as it moves towards Foundation Trust status.

CHAPTER 10 – ENGAGEMENT & INVOLVEMENT OF STAKEHOLDERS

Given the importance of developing an FBC that has contribution from, and the support of local stakeholders, communication and engagement was identified as a priority early in the merger process. A communications and engagement strategy for the programme has been in place since before the Outline Business Case (OBC) was written, to ensure that local people are kept informed and given an opportunity to express their views. More than 12,000

[3] The executive members of the Trust Board will comprise the Chief Executive, Chief Finance Officer, Medical Director and Chief Nurse and Chief Operating Officer.

copies of a summary booklet[4] setting out why the merger is being considered and the benefits for patients and staff have been circulated to MPs, GPs, CCGs, local authorities, staff and voluntary organisations. A microsite was launched at the beginning of February 2012 bringing together all relevant information about the merger into one place.

More than 60 meetings and events have been held with stakeholders including staff, Overview and Scrutiny Committees, CCGs, LINks, MPs, GP commissioners and local patients' advocates including the West London Citizens[5]. Three borough-wide deliberative events for stakeholders were held in May and June 2011 and feedback from the events was used in development of non-financial evaluation of scenarios included in the OBC. More recently the three LINks organisations covering Brent, Ealing and Harrow held events in December 2011 and January 2012 to seek the view of the public and their members on the proposed merger.

A range of clinical engagement events have also been held with clinicians across the two Trusts and GPs culminating an event[6] attended by more than 60 staff, facilitated by The Kings Fund.

The key themes that emerged consistently from the engagement process included:

- Transport links and access in general
- Concerns about potential impact of the merger on local services
- Ability to achieve savings targets
- Investment in community services
- Support for staff during the change process
- Is bigger really better?

Although the merger itself will not directly lead to major service change, for many stakeholders these two issues were seen as the same. These themes are addressed in detail in Chapter 10.

4 Stronger together - The proposed merger of Ealing Hospital NHS Trust and The North West London Hospitals NHS Trust. November 2011

5 A well represented local charity with members drawn from community groups in West London

6 The aim of the event was to support the development of effective clinical teams in a new merged organisation with a focus on integrated care.

CHAPTER 11 – INTEGRATION & IMPLEMENTATION PLAN

As described in previous chapters, new organisation will be patient focused, clinically led and financially robust. It will need to provide the highest quality of care; adhere to patient safety standards; support effective governance processes; remain committed to staff; be responsive to the needs of commissioners; provide transparent communication with stakeholders and demonstrate strong clinical leadership.

These objectives must be delivered within specified time frames, through a phased implementation plan with minimal service disruption. A robust programme management and risk management approach to integration delivery and benefits realisation has therefore established and is described in this final chapter.

CONCLUSION

This FBC has assessed the implications of commissioners' future plans and the requirements of national, regional and Royal College guidance (see chapters 4 and 5). These requirements are expected to result in less demand (and ultimately income) for acute services as there is greater investment in out of hospital care. This coupled with the clinical drivers of increased medical sub-specialisation and need for greater critical mass, means that the two Trusts would struggle to be clinically and financially sustainable in the future if they remained independent (see chapters 5 and 8).

A merger of the two Trusts will provide real benefits for patients, staff, commissioners and the local population (see chapters 6 and 7). It will create a combined Trust which is both an integrated community and a large acute provider, able to develop more effective clinical care for patients both in the hospital and the community. At the same time, the merged Trust will have the scale and critical mass needed to provide the highest quality specialist services on both a local and regional basis. It will also by 2015/16 be well on the way to achieve the financial strength required for authorisation as a Foundation Trust (chapter 8).