Executive Summary

1. INTRODUCTION

This document is an Outline Business Case (OBC) which 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 current proposal is a plan for organisational change, not service reconfiguration. The challenges facing the Trusts will require service changes; as plans for these are developed they will be the subject of commissioner-led public consultation and scrutiny as appropriate. However, the organisations involved in creating the new entity are working to a shared service vision which will underpin both the process of integration and the development of the new framework for service delivery.

The proposal to merge is in response to changes in the external environment. Its objectives are to ensure the provision of high quality care across all three boroughs, and to maximise the benefits of community service integration for users of local healthcare services. The merger will also ensure financial sustainability for both Trusts.

2. 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 dedicated 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.

- EHT-ICO comprises a single acute hospital site with over 350 beds (budget of £125m) and a community services provider (budget £96m). Acute and community services were merged in April 2011 –EHT-ICO is a financially stable organisation and over time (as per chapter 7) is projected to generate a total surplus of £13.8m over the five year period to 2015/16.
- NWLHT comprises Northwick Park Hospital (NPH) which includes St Mark's and the Central Middlesex Hospital (CMH) sites, with around 680 beds in total (budget of £369m). NWLHT has applied to the Challenged Trusts Board (CTB) for release of funding to pay down its historic debt as at March 2011. Over the period to 2015/16 the total deficit for breakeven purposes is projected to grow from £29.3m (March2011) to £95m.

3. COMMISSIONING STRATEGY IN NORTH WEST LONDON

Healthcare is commissioned from both Trusts by the NW London Cluster, where the three boroughs of Brent, Ealing and Harrow share wide variations in levels of deprivation, health needs and health outcomes. Commissioners will quite properly only commission, on behalf of patients, care from organisations that meet or exceed increasingly tough quality standards.

The boroughs face common public health challenges, including population growth, changing demographics and an increasing prevalence of lifestyle-related diseases. Their future priorities will 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 patient experience. This will require a change in the way services are currently delivered, involving improved primary care, additional services delivered out of hospital, greater levels of integrated care across providers and the consolidation of acute and specialist services onto fewer sites.

There is broad agreement among Commissioners and other stakeholders that in a budget-constrained environment, scarce resources are best deployed by delivering care in the community wherever possible, rather than in hospital. Improving patient care will require close joint working across primary, community and acute services and consolidation of particular specialties.

4. THE CASE FOR CHANGE FOR EHT-ICO AND NWLHT

Both NWLHT and EHT-ICO strive to provide the highest possible quality of care for their local people both in hospital and in the community. This will become increasingly difficult to deliver in the future: NWLHT faces issues around clinical deliverability due to financial challenge; EHT-ICO has teams that in many cases are too small to deliver the highest quality of care. The Trusts recognise that to achieve excellent clinical outcomes for patients requires greater access to specialised services, technology and senior staff 24 hours a day. The increased complexity of medical care, coupled with changes in the medical workforce, is a strong driver towards consolidation of acute services into larger more specialised groupings. This is particularly so in the current financial environment and with the need to meet the challenges set by the commissioning intentions laid out in Section 3. Both Trusts believe that – through merging and forming a new, larger-scale organisation – they will be much better placed to respond to and meet these challenges, resulting in rapid access to more specialised and responsive services, and leading to a better patient experience. Merging the two Trusts will ensure the future sustainability of services across the three boroughs.

Explicit in the Trusts' future vision is recognition that an increased focus will need to be placed on preventative care and on the needs of those with long-term conditions – healthcare needs that will be met primarily in community settings. In recent years progress has been made towards the goal of providing such effective, readily accessible care outside of hospitals. EHT has already made strides in this regard through the ICO. There are significant benefits from better integration between acute and community care: this will be easier to achieve with integration between the two Trusts. The Trusts also recognise that to be successful requires close working with patients, partners and commissioners.

Benefits of merger to patients will enable care closer to home, provide quicker and better access to services that are more orientated towards patient convenience, and reduced numbers of admissions and shorter lengths of stay in hospital.

5. ASSESSMENT OF POTENTIAL OPTIONS

Clinical leaders at both Trusts agree that, faced with the challenges to long-term clinical and financial sustainability, doing nothing cannot be an option. EHT-ICO will have difficulty in meeting future quality standards, due to lack of critical mass in some specialities. NWLHT, in particular, faces a substantial financial challenge which will be easier to address in a merged organisation in addition to the clinical benefits of increased critical mass.

A panel of key stakeholders from across NWL considered eight distinct organisation merger/consolidation options, based on geographic proximity and possible strategic fit. The different organisational combinations were assessed against an agreed set of financial and non-financial criteria, such as implications for patient care and feasibility of implementation.

The panel agreed that the most favourable option was a merger between EHT-ICO and NWLHT.. The panel's strong view was that this merger would allow the Trusts to capture the benefits of increased scale most effectively and deliver the highest quality of care to local people, as a result of being an integrated Trust providing acute and community services. This would also enable savings from the merger and result in a net improvement in the merged Trusts' financial position.

6. CLINICAL VISION FOR A COMBINED ORGANISATION

The new organisation will be able to deliver more and higher-quality care in the community, with a greater level of specialised services accessible to patients wherever they live 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. Clinical benefit can be achieved even in the short term, without significant service reconfiguration.

The vision for the future (in line with plans being developed by those responsible for commissioning) is that of a healthcare system which is less dependent on hospital-based care, where people can get access to regular and urgent medical advice from their GP practice or a community-based urgent care centre. The vision includes a healthcare system where specialist advice and diagnostic tests can be obtained outside of hospital and where care for people with long-term conditions and older people is organised around their day-to-day needs in the community. In future, there will be greater availability of senior staff, working in specialised teams with access to the right equipment and facilities to deliver the high quality care people expect and deserve. Such a vision requires critical mass – where individual clinicians and teams see enough patients to maintain their skills, which will be done through serving larger populations, ensuring significant clinical benefits to patients.

After consultation with hospital clinicians, clinicians working in primary and community care, and managers at both Trusts – as well as discussions with commissioners and the wider healthcare community – a range of further potential scenarios for the future organisation of clinical services across the new combined Trust have been developed. These range from limited service change through to more radical reconfiguration. The scenarios have been assessed against financial and non-financial criteria, including clinical quality, integrated care potential, access to care, strategic fit with the sector and feasibility. These scenarios are indicative of potential service change and would be subject to the required formal patient and wider stakeholder consultation processes.

Case studies have been prepared to show how the potential benefits of merger will be experienced: these show how we will deliver improved outcomes and patient experience. A shortened version of one such case study is given below.

Case study – Life-threatening gastrointestinal bleeding

Ahmed is a 54 year old man with abdominal pain who vomits up bright red blood. He calls an ambulance and is brought to Ealing Hospital Accident and Emergency department at 8pm on Friday evening

As things stand

Ahmed is seen by the duty A&E doctor and is thought to have a bleeding stomach ulcer. He is stable and has blood tests taken before seen by the medical specialist registrar at 11pm. He is started on medical treatment and admitted.

At 3 AM he vomits up a large amount of blood and has a low blood pressure. He has a blood pressure but he continues to bleed. The surgical team on call and critical care team review Ahmed but there is no specialist available to perform an emergency upper gastrointestinal endoscopy.

Decision is taken to transfer Ahmed to another hospital. Several hospitals cannot take him because and he is finally accepted for transfer at 08.00. By now he has received 8 units of blood. He is transferred at 10.00 by a paramedic ambulance accompanied by a senior anaesthetist.

Ahmed is admitted to intensive care at the receiving hospital. He has an endoscopy but goes on to have emergency surgical intervention to stop the bleeding. He remains in intensive care for a further 6 days and in hospital for 2 weeks.

In the merged organisation

Ahmed is seen by the duty A&E doctor and is thought to have a bleeding stomach ulcer. The A&E Doctor activates the gastrointestinal haemorrhage protocol which is established between EHT and NPH. Ahmed is seen at EHT by the critical care team, stabilised and transferred directly to the surgical assessment unit at NPH where he arrives at 9.30 pm. Ahmed is reviewed by the duty surgeon and urgent endoscopy is arranged.

The on call gastroenterologist performs the urgent endoscopy at 11pm. A bleeding ulcer is injected and the bleeding stops.
Ahmed is taken to the high dependency unit overnight and medical treatment continued.

If further bleeding occurs then repeat endoscopy and/or interventional radiology would be available urgently on site. If that fails a senior surgeon and operating theatre are available within 30 minutes.

Ahmed does not bleed again and is discharged from hospital four days after presentation.

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 that have the potential to improve patient experience and clinical quality, while reducing total cost and making the most of the expertise that is available.

7. FINANCIAL EVALUATION

Clinical quality is the key driver for these proposed changes. The Boards of both Trusts fully support the merger and believe that it will deliver significant benefits for patients. At the same time it will also provide important financial benefits, without which clinical delivery would in any event suffer. Without an increase in the scale of operations and the opportunity to develop services along and across patient pathways, it will prove increasingly difficult for the 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.

In the short and medium term, benefits will include improving productivity, reducing “back-office costs”, capturing efficiencies, reducing the costs of hospital stay by improving community care, and improving estates utilisation through optimised spending and rationalisation. In the longer term, the merger will generate growth in clinical and non-clinical revenue streams where the necessary groundwork is anticipated early.

A modelling exercise was performed to evaluate the future financial situation, based on commissioning intentions and changing tariff. The modelling was conducted for the status quo and under various scenarios for potential service change as described in Appendix B.

- Modelling the Trusts as standalone entities (up to 2015/16):
  - EHT-ICO’s acute services will deliver a surplus each year through to 2015/16 resulting in a £9.3m total surplus over the period 2011/12 to 2015/16. EHT-ICO’s community services will run a total surplus from integration in 2011/12 to 2015/16 of £4.5m.
  - NWLHT will see its annual recurrent deficit increase from £13m in 2010/11 to £18.7m in 2011/12 before reducing to a £12.8m deficit by 2015/16.
- Modelling the merged Trust but without service reconfiguration:
  - The combined Trust would exist in deficit every year, decreasing its annual losses from £14.0m in 2012/13 to £9.3m in 2015/16 and thus would build a total deficit of £44.4m between 2012/13 and 2015/16
  - After allowing for the £7m of annual savings that the merger of the two Trusts will generate, the annual deficit reduces to £2.3m by 2015/16and the total deficit produced between 2012/13 and 2015/16 reduces to £17.4m. The remaining £2.3m deficit and requirement for a 1% surplus to achieve FT status could be achieved by implementation of a range of actions which will be detailed in the FBC in response to the latest commissioning intentions. The merger without service configuration will reduce the anticipated deficit.
- Modelling the merged Trust with service reconfiguration shows a range in financial outcomes from a net surplus of £5.2m to a net surplus of £24.5m. Service reconfiguration would deliver a long-term sustainable organisation capable of achieving Foundation Trust status.

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8. THE NEW ORGANISATION

The new organisation will be patient focused, clinically led and financially robust. It must provide the highest quality of care, the highest standards of patient safety, effective governance processes, commitment to staff, responsive to the needs of commissioners, transparent communication with stakeholders and clinical leadership. This must be delivered within specified time frames, through a phased implementation plan with minimal service disruption.

The new organisation will constitute an effective means by which high-quality care can be delivered 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 in the area.

The combined organisation will thereby make a range of positive contributions to the local health economy that NWLHT and EHT-ICO as separate organisations could not.

To achieve these outcomes, the organisation will continue its current commitment to clinical education, research and development and the Board structure will be redesigned to meet FT requirements and ensure good governance. In addition, an emphasis on the role of Information Management and Technology will be increased, to serve the integrated network. Existing estates will be fully utilised for efficient service and capital that is no longer required will be released.

9. RISKS

There are risks to the success of the merger both before and after it begins. All risks will be subject to a full risk assessment and will be mitigated as far as possible to ensure success. The merger will be subject to approval from the Cooperation and Competition Panel to ensure that the merger is in the taxpayers' interest. Issues regarding staff will be dealt with in a fair and transparent way.

There are also risks if the merger does not proceed, however: both Trusts will remain financially and/or clinically challenged. They will face reducing levels of activity and income and may be subject to independent take-over or fragmentation. Importantly, quality is likely to fall below expected standards.

10. LEADERSHIP AND WORKFORCE

The new Trust Board will have responsibility for setting the strategic direction of the Trust and for managing risks.

Clinical services will be organised in clinical divisions. (The organisational structure will be established in line with legal requirements and collective consultation, with transitional measures and controls in place.) Each clinical division will have strong clinical and managerial leadership.

The HR Directors at NWLHT and EHT-ICO, together with the Chief Executives and Senior Responsible Officer, will be responsible for developing the Organisational Development (OD) strategy. This strategy will be focused on achieving one shared vision and values, strong clinical leadership and structures, a high-performing workforce to achieve excellent outcomes, world-class leadership and organisation design, integrated systems, processes and frameworks for flexibility across multi-sites, and strong mechanisms for stakeholder engagement within a sustainable new organisation. The OD strategy will also seek out opportunities to benefit from the strengths brought by the Trusts' different cultures.

In addition, an HR strategy will ensure clear communication with staff. Further, a strategic workforce framework will extend and improve high-quality clinical services, research and education.

11. GOVERNANCE ARRANGEMENTS

The new organisation will need a governance structure that is fit for purpose as an NHS Trust and meets the requirements for an NHS Foundation Trust. It will also be designed to be fit for an integrated care organisation working in partnership to deliver services locally. A dialogue during FBC development will be required to agree appropriate governance structures (reflecting local variation across the three boroughs, with input from GP commissioners and local GPs).

The Trust Board will delegate its assurance functions to the Audit Committee, Remuneration Committee and the Governance, Compliance and Risk Committee. The Chief Executive, executive directors and non-board directors will be responsible for the operational management of the Trust.

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

The 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 an NHS Foundation Trust Board of Directors. At this stage, it is envisaged that the executive members of the Trust Board will comprise the Chief Executive, Finance Director, Medical Director and Nursing Director with one other Director to be determined.

12. Conclusion

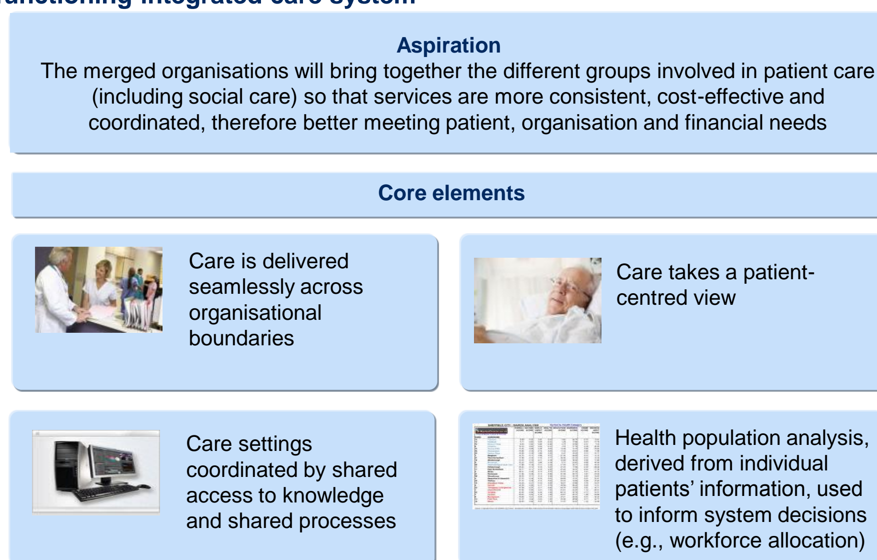
This OBC has examined the implications of Commissioners' future plans and the requirements of national, London and Royal College guidance. These will result in less demand and income for acute services, due to increasing investment in out of hospital care. This coupled with the clinical drivers of increased medical sub-specialisation and need for greater critical mass, means that the two separate Trusts would struggle to be clinically and financially sustainable in the future (see Chapters 3 and 7).

An options appraisal that reviewed potential organisational forms for the two Trusts in the future concluded that a merger of the two would offer the best overall strategic solution for the NWL sector, taking account of the financial and non-financial appraisal undertaken (see Chapter 5).

A merger of the two Trusts will provide real benefits for patients, staff, commissioners and the local population. It will create a combined Trust which is an integrated community and acute provider, able to develop more effective clinical care for patients between hospital and the community – see Exhibit 1 below. At the same time, the merged Trust will have the scale and critical mass needed to provide the highest quality specialist services (see Chapter 6).

EXHIBIT 1

The vision is to transform the three boroughs into a well-functioning integrated care system



SOURCE: "*Die Optimierer*" (an interview with Wolfram Otto). *McKinsey Wissen*, 2008, Volume 19, pp 44-49. B. G. Sandhoff et al., "Collaborative Cardiac Care Service: A multidisciplinary approach to caring for patients with coronary artery disease," *Permanente Journal*, 2008, Volume 12, Number 3, pp. 4-11.; Stockholm conference, October 2008, Team analysis

A merger of the two Trusts will also deliver financial benefits – over and above the status quo of the independent Trusts – of at least £7 million per annum (see Chapter 7). This would be realised from the beginning of the merger process

The merger of the two NHS trusts is the right choice because:

- It provides a unique opportunity to create one **NHS organisation, managing hospital and community services across Brent, Harrow and Ealing**. This will help to remove organisational barriers and provide more integrated care for local people. For patients this will mean fewer hospital visits, shorter stays in hospital and more care closer to home
- As one organisation, it will create l**arger clinical teams** to meet **rising quality standards** in the future, giving patients the opportunity to be treated, where appropriate, by specialists in their condition no matter what time of the day or week
- As a single Trust it can **make the most of the expertise** it has. Pressures such as the European Working Time Directive (EWTD) requirements mean that more staff are required to maintain 24/7 cover and small teams struggle to staff rotas fully
- The merged organisation can deliver healthcare more productively and efficiently with a reduction in the proportion of the budget spent on managerial costs

- A merger is the best way to provide high quality, efficient healthcare for the boroughs of Brent, Ealing and Harrow.