

WYE VALLEY TRUST THE WAY AHEAD



HSJ Local Briefing is our new in-depth analysis of the key issues facing the NHS's major health economies

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In brief

Issue Wye Valley Trust faces significant financial challenges going forward, with savings of £32m over the next four years. The trust has been forced to admit it will not meet the requirements to become a foundation trust and cannot go forward with its application. Now the Herefordshire trust, previously hailed as a pioneer of organisational integration, has announced its plans to seek either a partnership with an NHS foundation trust, a private sector franchise or the break-up of its services to a number of providers.

Context Herefordshire is a largely rural elderly population with healthcare demands and costs set to rise. Wye Valley has been unable to deliver efficiencies since its creation in 2011 requiring repeated support from the wider NHS to enable it to balance its books. It has received £9.5m of support this year, and predicts a requirement of £9.7m next year. It has a private finance initiative project costing approximately 10 per cent of its annual turnover and cost improvement plans at around 5.4 per cent.

Outcome A major project to determine the future of the trust is underway with only one certain outcome – the trust will not remain as a standalone organisation. Sources suggest a mixed approach is the most likely option, with services such as those delivered in the community, and possibly the adult social care contract, going out to tender. These could end up in the hands of either a private sector provider or others. The acute services will then be left to be managed as part of a merger with an NHS foundation trust.

A numbers game

The figures just do not add up for the Wye Valley Trust, which has prompted bosses there to draw a line under its application to become a foundation trust and instead launch a review of its long-term future.

The Herefordshire-based integrated trust cannot hope to meet Monitor's financial requirements for aspirant FTs as it is not financially sustainable over the next five years.

As with most district general hospitals, the trust is plagued by simple numbers. Its population, which stretches across into Wales, is around 220,000 mainly rural and elderly residents.

Projections for healthcare demand in future years mean the trust can expect costs to keep rising as the need for financial savings grows.

It is a blow to those advocating organisational integration, as the trust was the first fully integrated provider of hospital, community and adult social care services in England.

With an annual turnover of around £160 million the trust employs around 3,000 staff.

It was formed in April 2011 by a merger of Hereford Hospitals Trust, NHS Herefordshire and Primary Care Trust Provider Services and Herefordshire Adult Social Care.

The original case for integration argued that by bringing acute services under the same umbrella as community and adult social care the trust would deliver better quality of service and deliver greater efficiencies.

Significant benefits have never materialised at Wye Valley – in 2011-12 the trust failed to achieve planned savings and had to rely on £6m of cash support from West Mercia PCT.

In June 2012 the trust announced it was "pausing" its FT bid after the scale of its financial problems became clearer but as time moved on the stark reality became obvious.

It started the current financial year with a £15m deficit and

developed a cost improvement programme of £5.5m.

It has had to receive £9.5m in support from the Midlands and East SHA to close the remaining gap enabling the trust to predict an end of year surplus this financial year of £200,000.

The CIP represents around 3.5 per cent of trust turnover and the pressure is only set to increase in coming years with a projected shortfall of £18.5m in 2013-14.

Next year it will need to make savings of around £8.8m, or 5.4 per cent of turnover, but this will still leave a gap of £9.7m. HSJ understands the trust is in talks with the NHS Trust Development Authority to receive further cash injections.

Across the next four years the trust will need to find approximately £32m in savings.

The trust is likely to have to reduce staff numbers and while it has aimed to keep reductions during 2013-14 to "natural turnover" it cannot rule out compulsory redundancies.

All of these problems mean the trust cannot meet its five year statutory breakeven target and will never be able to satisfy Monitor it is financially robust enough to be a standalone FT.

The trust delivers most of its secondary acute services from the County Hospital in Hereford, which was built under a private finance initiative deal worth £92.2m.

The trust's annual tariff for the PFI in 2012-13 is £17.3m which is equivalent to 10 per cent of the trust's turnover.

This PFI project has been labelled as "ruinous" by the local Conservative MP Jesse Norman.

Coupled with the financial problems, the trust has seen its performance dip in recent months.

During Christmas it reported a sustained increase in patients and a rise in the number of patients staying

in hospital beyond 30 days.

This has led to breaches of the four-hour A&E target and use of elective capacity which has affected the 18 week referral to treatment performance.

The trust has said it will be difficult to meet the target for 95 per cent of patients to be seen in A&E within four hours by the end of the year.

A potential way forward

Faced with these problems the Midlands trust has abandoned its hopes of achieving foundation trust status and instead launched a review to investigate a way forward for its services.

Any solution will involve at least one outside organisation, either an independent sector or another NHS provider, coming in to deliver the trust's health and social care services.

The trust has accepted it is not viable as a standalone organisation and so a partnership with one or more organisations is inevitable in order to "guarantee" the long-term sustainability of the trust's hospitals and services.

The Wye Valley Futures project has already involved a number of discussions with organisations and groups across the county and the project will have to seek views from commissioners, including Herefordshire council, on what is a viable way to deliver services for the long term.

The trust has drawn up a number of potential solutions with what it calls three "front runners."

The first would see Wye Valley Trust merge with another trust which has already achieved FT status. Under this plan Wye Valley would act as a junior partner to the FT trust but would, it says, keep a local management and accountability function.

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A second option put forward by the trust, and likely to be the most controversial, is a partnership arrangement with a private sector organisation which would involve the trust being operated as a local franchise.

This would be along similar lines to that of Hinchingsbrooke Hospital in Cambridgeshire, which has been operated by Circle since February 2012.

A third idea suggested by the trust is the break-up of the organisation and the dispersal of services to different providers, which could include a mix of public and private sector partners.

Between now and the end of the month the work will be focused on firming up which of the options the trust will take forward for consultation.

The final options will need to deliver sustainable local services and the trust has said they must also “maximise choice, personalisation and independence for patients”.

The review work is not explicitly considering the future configuration of its services. However, this will implicitly be on the mind of staff and others in the area as decisions are made.

The trust has therefore identified several essential services which must remain local to the area, including the accident and emergency department, emergency surgery and maternity and children’s care.

It has also pledged to maintain some form of local accountability.

Adult social care services

Herefordshire council has a commissioning arrangement with Wye Valley Trust to deliver its adult social care services.

The council will primarily be concerned with making sure services for vulnerable adults are maintained. Social care staff are seconded from

the council to the trust to deliver the services and the contract with Wye Valley Trust comes to an end later this year.

HSJ understands the council is in discussion with Herefordshire Clinical Commissioning Group on the best way forward for the service.

Councillor Patricia Morgan, cabinet member for health and wellbeing, said: “The council is responsible for providing adult social care to residents in Herefordshire. We are working on plans for the future commissioning of adult social care services and, alongside our commissioners in health, are involved in the discussions taking place regarding options for the future of Wye Valley NHS Trust.

“Our commissioning discussions will of course take into account potential changes within partner organisations. The priority for us all is to ensure the interests of vulnerable adults are well met and that we continue to improve social care outcomes for people in Herefordshire.”

A difficult conversation

The trust is promising to engage with staff, the public and patients on the plans and will be holding a number of events for the public to have their say.

But as has become common across the country, it is likely to face significant opposition from groups fearing a downgrading of services.

Mr Norman has already said he will fight the “false choice” he claims the trust is offering.

The Hereford and South Herefordshire MP said he will hold a public meeting over the issue and blamed the trust’s PFI contract as the source of its financial problems.

Unison has also added its voice and said it will oppose any plans to bring in a private provider.

Steve Akers, regional organiser,

said the suggestion of a private franchise was “not the best option for patients”.

He said the best option for the Wye Valley Trust would be for it to go into a partnership with a neighbouring trust, especially one that had the financial stability of foundation trust and teaching status.

Peter Wilson, medical director at the trust, has stressed the trust will aim to “maintain and improve key services”.

He said: “This is a case of us taking control of our future. We can’t stay as we are, but we are committed to ensuring the health and social care needs of local people will come first and be at the centre of any decision that is made.”

The trust’s interim chief executive Derek Smith declined to speak to HSJ about the likely outcome of the project but in a statement he was clear the trust has no alternatives open to it.

He said some of the issues affecting Wye Valley were no different to those affecting health budgets across the country as NHS faced up to tougher financial settlements.

He added: “No change is not an option. We need to look at new ways of how health and social care services are managed and provided in Herefordshire to ensure they are sustainable and continue to be maintained at the high standards our residents deserve.”

Mr Smith said the NHS was entering a “new era” in the delivery of healthcare and while “tough decisions” would have to be made patients would need to be at the centre of any outcomes.

He stressed no decision had been taken and the proposals made so far were simply options for possible solutions.

What is the likely outcome?

Wye Valley Trust will not continue as

a standalone organisation but its future beyond that decision remains unclear.

A combination of the options proposed by the trust appear at this stage to be most likely, HSJ has been told. This will involve a mix of private and public sector involvement with some services being put out to tender.

HSJ reported last month that the appetite in Whitehall for full private sector hospital franchises has dropped, amid Circle’s involvement at Hinchingsbrooke and the company’s admission it may not pay off the trust’s £40m debt during the contract.

The government is less convinced the model can deliver and private sector companies fear the complexity of changes being made by commissioners alongside cuts in tariffs and demands for efficiency savings.

But the situation at Wye Valley is not as dire as at Hinchingsbrooke and the debts are not as severe. Sources close to the health economy say private sector involvement is likely to be included as part of the solution but will not be a “silver bullet” on its own.

A private sector role in delivering the trust’s community services and potentially the adult social care services is considered possible, though the contract could be given to a different NHS provider.

For acute services, a partnership with another NHS provider would be very likely. Pressure will remain on the services and finances currently run by the trust in future, and they will need careful management and possible reconfiguration by any new parent trust.