

## THAMES VALLEY THE VIABILITY OF ACUTE SERVICES



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** Trusts in the Thames Valley area are grappling with a range of financial and performance pressures, threatening the long-term viability of at least some of them. Consultations are underway, alongside high-level discussions between all the main players locally about how to restructure the health economy.

**Context** Heatherwood and Wexham Park NHS Foundation Trust ran up a £13.5m deficit in 2011-12, and expects a £12m shortfall in 2012-13. A strategic health authority bailout has been agreed. However demographic pressures, rising demand and increasing competition among acute providers are impacting on all the trusts locally.

**Outcome** A new provider will be brought in to inject capital into Heatherwood Hospital, either as a partner or in a straightforward sell-off. Merger talks are ongoing between Heatherwood and Wexham Park and a number of providers, but the trust's deficit and wider structural problems in the health economy mean these could fail. If they do, bailouts will continue as the trust restructures, with the aim of it becoming a more attractive merger partner in future.

Crucial discussions over the future of acute services in the Thames Valley's health economy are under way this spring. The area stretches from Oxford in the north west, down through Buckinghamshire and Berkshire, bordering on west London and Surrey.

As the area is populated by a cluster of small to medium sized acute providers, the fortunes of around half a dozen trusts in that area are closely linked, with the viability of some in doubt and each needing to answer fundamental questions over performance and financial issues.

Two public reconfiguration projects, Better Healthcare in Bucks and Shaping the Future in Berkshire are in progress, both focusing on the southern part of the patch.

The consultation for Better Healthcare in Bucks closed in mid-April, with announcements expected in May or June. The timeframe for Shaping the Future keeps slipping. A "pre-consultation" setting out the basis for the changes took place in September and October last year, and a full consultation exercise was

initially expected to begin before Christmas. It was then put back to spring 2012, then June, and now HSJ understands little is likely to be heard until after the summer.

Over and above these two pieces of work, detailed and potentially further-reaching discussions about acute sector viability are taking place across the health economy. They centre on the future of Heatherwood and Wexham Park Foundation Trust, but have potentially profound implications for all. These discussions began last autumn, shortly after Philippa Slinger took over as chief executive of Heatherwood and Wexham Park in the teeth of a financial and performance crisis at the trust.

Final decisions have not yet been announced, but are likely to form the basis for the Shaping the Future plans and will affect the long-term configuration of acute services across the patch.

This week's local briefing seeks to identify what the fundamental problems are with acute services in the Thames Valley health economy, what the possible options are for

dealing with it, and what is likely to happen in 2012-13.

### Who are the main players?

Buckinghamshire has a single organisation providing acute and community services across multiple sites, Buckinghamshire Healthcare Trust. Its planned income for 2011-12 was £329.8m for both acute and community services, making it one of the largest organisations locally but a modest sized player in the acute sector.

In Berkshire there are two acute-only providers. Heatherwood and Wexham Park Foundation Trust is in the east of the county, although its main acute site is actually just over the border in Buckinghamshire; and Royal Berkshire Foundation Trust in the west.

The Royal Berkshire, with its £302.8m planned turnover for 2011-12, is the larger, and, with Monitor ratings of three for finance and red/amber for governance, the more stable. By comparison, Heatherwood and Wexham Park's planned turnover for 2011-12 was £212.6m, and it has the worst possible Monitor ratings.

There are two more trusts outside the historical South Central strategic health authority area whose fortunes are linked to the Berkshire area in particular.

The main site for the Hillingdon Hospitals Foundation Trust is just over the border in west London, a mere seven miles from Wexham Park Hospital. It planned to turn over £188.3m in 2011-12 and was rated three for finance, and green for governance.

Finally, Frimley Park Foundation Trust, in the north west of Surrey, was given the best possible ratings by Monitor and planned to turn over £251.2m in 2011-12.

At north end of the health economy stands the newly-formed Oxford University Hospitals Trust,

created last year out of the Oxford Radcliffe acute trust and the Nuffield Orthopaedic Centre. A combined annual turnover figure has not yet been released but the 2011-12 planned income for Oxford Radcliffe was £640.8m, making it the sole big trust in the region. It hopes to become a foundation trust in 2013.

### Berkshire East

Heatherwood and Wexham Park finished 2011-12 with a deficit of £13.5m. That this can be seen as something of a triumph says much about the scale of the financial challenge it faced in the middle of last year – a deficit of more than £18m was predicted in November. The trust reduced the gap while prioritising safety, increasing staffing numbers and making great strides against some performance indicators (notably waiting times and venous thromboembolism). At the end of 2011-12 Berkshire East health economy's performance was upgraded from "failing" to "performance under review" for the first time in 18 months.

But long-term troubles remain. Berkshire primary care trust cluster described Berkshire West as the lowest-funded PCT per head of population in the country in 2011-12 and Berkshire East as the ninth lowest.

Acute sector leaders, commissioners, MPs and councillors are agreed that the official population figures which local allocations are based on are no longer accurate, with inward migration to Slough in particular putting pressure on nearby Wexham Park Hospital. That is also the site of the worst health inequalities in the area.

HSJ can reveal that Heatherwood and Wexham Park is predicting a deficit of around £12m for 2012-13, and that strategic health authority

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funding has been agreed to bring the trust into financial balance. As the trust is not likely to return to financial surplus for three or four years, conversations are ongoing about more bailouts in future.

Although the cash is intended to buy time for a sustainable long-term plan to be drawn up, some prominent figures in the area view the move as unhelpful, arguing it will delay vital decisions.

But more generally, “small and medium sized trusts are struggling”, a Berkshire commissioner said, as GPs begin to bring elective referrals under control, and complex treatments like stroke, trauma and vascular surgery are concentrated into a smaller number of specialist units.

For Heatherwood and Wexham Park, these national issues have been compounded by high staffing costs - an over-reliance on expensive temporary workers is pushing its overall workforce bill to around 70 per cent of all outgoings, compared to around 61 to 62 per cent in neighbouring trusts.

They are also faced with highly competitive local health economy and the fact that despite their small turnover they currently have operating theatres on two sites, and outpatient services on four.

“The solution at the end of the day very often looks like a merger with a neighbouring trust,” the source said.

HSJ has learned that Heatherwood and Wexham Park is in talks with neighbouring trusts about merging, partnership working and selling off the Heatherwood site. Hillingdon, Frimley Park and Buckinghamshire Healthcare are all named as potential merger candidates and the Royal Berkshire is also involved in discussions.

Profound changes are unlikely to be implemented in 2012-13. “By the

time 2016-17 comes round I would be very surprised if one of the trusts in the patch has not merged with another foundation trust,” the Berkshire source said.

### Neighbouring trusts

Latest board documents for Hillingdon reveal that the trust was running at a £1.2m year-to-date deficit, £3m worse than planned. Inpatient, outpatient and accident and emergency activity were all higher than planned and up on the year before. Interestingly, although the numbers were not significant enough to impact on the overall picture, Hillingdon had seen a 29 per cent year-on-year rise in day cases from outside North West London, illustrating its importance to neighbouring commissioners.

Despite rising activity, income was “heavily suppressed due to the increasing impact of local commissioning [revenue] caps.”

“This continues to be a significant issue impact on the trust’s short and long-term financial viability”, the papers said.

Talks between Heatherwood and Wexham Park and Hillingdon will continue into the summer. However, despite their geographical proximity and similar size, one well-placed source said they were “unlikely to come to anything”. “Two turkeys do not make a phoenix”, HSJ was told.

By contrast Frimley Park Foundation Trust’s future looks much more secure – so much so that some local figures wonder why it would want to take over such a financially troubled neighbour. But Frimley Park is likely to become an increasingly important player in south Berkshire, nibbling into the caseload of competing acute providers.

Its 2011-12 annual plan makes explicit its intention to win support from Berkshire GPs and expand the services offered in the county. In May

last year the trust opened a health centre in Bracknell, near Heatherwood Hospital. Among the services offered are midwifery care. One factor in the Heatherwood trust closing its Ascot birthing centre, which had been blighted by staff absences, was the Bracknell and Ascot clinical commissioning group’s decision to move community midwifery services to Frimley Park.

If it is to secure its financial future by expanding its catchment area, Frimley Park faces a choice about which way it faces – either south-east into Surrey, or north-west into Berkshire. Council of governors papers reveal an option to merge with the Royal Surrey County Hospital Foundation Trust has been discussed but had been paused for six months to a year.

A board summary reveals that in the meantime Frimley Park has agreed to brief the Royal Surrey on the progress of the multi-trust discussions about the future of Berkshire acute service. Describing Heatherwood and Wexham Park’s future as a “standalone trust” as “uncertain”, the papers said that Sir Ian Carruthers, chief of the South of England SHA cluster, was meeting acute provider leaders to discuss “working collaboratively” over future services in Berkshire.

“Following discussion, the [Frimley Park] board agreed to continue to explore the strategic, financial and commercial implications of expansion into Berkshire,” they said.

### Buckinghamshire

Buckinghamshire Healthcare Trust is understood to be reluctant to discuss a formal merger with Heatherwood and Wexham Park until it achieves foundation status on its own, as it could then enter discussions on an equal footing.

It had expected to submit its bid

by March this year. However, this was delayed by six months mainly due to operational pressures, including slippage on waiting times and outbreaks of norovirus. A failure in the area to cut demand for services left the trust’s contract overperforming by £7.7m in the year to month 10 of 2011-12. However, in a tough settlement for the trust, the extra revenue it received was capped at £3m. Late in the year the trust was struggling with emergency services, stroke and infections.

Buckinghamshire has its own financial pressures, with funding £13m from target in 2011-12. A Buckinghamshire commissioner said this was effectively a “legacy debt” in the local system.

Even if FT status is granted in early 2013, decisions taken before then are likely to usher in an increasingly networked approach to delivering services, reinforcing the inter-dependency of local trusts.

The preferred option for Better Healthcare in Bucks includes: moving complex vascular surgery out of Wycombe to Oxford’s John Radcliffe Hospital; moving inpatient services such as gastroenterology and diabetes from Wycombe to Stoke Mandeville; and some urgent care service from Wycombe to Wexham Park. Meanwhile Wycombe would get a new breast specialist unit. The proposals are intended to be cost-neutral but make the trust’s services clinically sustainable in the long term.

Although consultation responses are currently being considered ahead of a final report, that option is considered highly likely to be approved with very few changes.

This would result in some increase in business for Wexham Park, though one Buckinghamshire source said they would not be “of a major order to make very much difference to the viability of Wexham Park”.

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### West Berkshire

HSJ understands that the Royal Berkshire Hospital Foundation Trust was set to “just about break even” in 2011-12, after years of healthy surpluses. No single issue is blamed beyond the usual demographic and non-elective pressures, and rising costs. Most ominously, delayed transfers of care between acute and social care services have begun to bite at the Royal Berkshire, and keeping this under control will be vital to its performance in 2012-13.

Like Frimley Park, the Royal Berkshire is expanding onto Heatherwood’s traditional catchment area, having opened a clinic in Bracknell last year with specialist cancer and renal services.

There appears to be little interest in a straightforward merger. However, the trust is looking to work with Heatherwood and Wexham Park and Frimley Park to deliver a range of services for people on the Berkshire/Surrey border.

Circle is planning to open a hospital in Berkshire in August, in addition to Spire’s Dunedin and the Berkshire Independent hospitals, both in Reading. One Royal Berkshire source said this would more than saturate the market for private provision and would impact on the trust’s own private work. The extent to which this new facility simply competes for the existing private market, or will succeed in taking some of the Royal Berkshire’s elective work is not yet clear, but could pose a serious challenge to the trust.

The four west Berkshire clinical commissioning groups are relatively advanced and are working to design improved care for long term conditions including dementia, diabetes, heart disease and stroke. There will also be new investment in community reablement. One CCG said any changes to Royal Berkshire

services in 2012-13 would happen “gently”.

### Oxfordshire

As the main tertiary provider in the Thames Valley area, Oxford University Hospitals Trust has been designated a major trauma centre, specialist centre for cardiac surgery and a key regional provider of complex vascular services. This status and its relative distance to the rest of the trusts under discussion mean its future is unlikely to be heavily impacted by reconfigurations around Berkshire and Buckinghamshire.

The trust was slightly short of its cost improvement plan savings, and at month 10 of 2011-12 was over-performing against contract by 9.3 per cent. One critical driver of this over-performance was delayed transfers of care, which board reports said “crowd out” other elective activity. In the four months to January these accounted for between nine and 11 per cent of occupied bed days, clogged up patient flows and impacted on waiting lists. HSJ understands the basic problem is the financial squeeze on local council is making it harder to find social care beds to transfer patients to when there are ready for discharge from acute services.

As a result, financial penalties could follow, in the form of charges from commissioners or from increased costs for the trust to pay other providers to take patients.

Although the delayed transfers of care have had the heaviest impact in Oxfordshire so far, the issue came up in almost every discussion HSJ had with leading figures in Berkshire and Buckinghamshire. One commissioner said CCGs were holding meetings with council chiefs to find a way of pooling resources to avoid an otherwise endless cycle of shunting costs between social services and the

acute sector.

### What happens now?

A decision is likely to be made this summer about the future of Heatherwood Hospital. The new clinics opened by Frimley Park and the Royal Berkshire trusts in Bracknell, together with the PCT’s commitment to a primary care-led centre called Bracknell Healthspace, mean that the services offered on that site will have to change. In the future, the population in the south of Berkshire can expect to get elective and outpatient services from a greater range of providers.

Heatherwood and Wexham Park’s capital difficulties (most recent figure for current assets: £25m; current liabilities: £50m) mean that outside investment, possibly private, will be needed to make the Heatherwood site sustainable. So a partner will be brought in, either an NHS trust with robust finances or a private provider. This partner could then take over Heatherwood Hospital entirely, or on a partnership basis with the Heatherwood trust. In either scenario, expect a capital injection and a mix of providers working out of that site. The process of finding a partner will begin this summer.

There is little doubt that a major acute site will be needed in the long term on Wexham Park site, as a population centre with high levels of deprivation such as Slough needs a range of acute services. Decommissioning some hospital services at Wycombe, and possibly elective services at Heatherwood could increase the amount of business it gets. We will hear, possibly as soon as June, what Slough can support and whether this can form the basis of a viable standalone trust in future.

Merger talks are ongoing but whether any of the other small local trusts is secure enough and willing to

take over a deficit the size of Heatherwood and Wexham Park’s remains to be seen.

Even if a merger with Hillingdon cannot be brokered this summer, few expect there to be as many trusts in the Thames Valley in three or four years’ time as there are now. Between now and then, commissioners, trusts, SHA chiefs and councils will work together to network services across traditional trust, county and SHA boundaries. Meanwhile clinical commissioners are optimistic they can reverse rising demand by challenging GP referral rates and looking in detail at the quality and consistency of primary care in the area.

With bailouts, changes at Heatherwood and reconfigurations in Berkshire and Buckinghamshire, commissioners hope the Heatherwood and Wexham Park trust could become sustainable, and be a more attractive merger candidate in the future.