pwc

Hospital chains

Their role in the future of the NHS

Click to launch

Hospital chains – context and background

- As one of the most renowned health systems in the world, developing new models of care is not something that comes easily to the NHS for cultural and political reasons.
- Momentum is building for transformational change to the NHS organisational model. The principal drivers for this are:
  - NHS Five Year Forward View
  - Dalton Review (Examining new options and opportunities for providers of NHS care)
  - Carter Review (of Operational Productivity in NHS providers)
- These publications position hospital chains as an innovative, credible and collaborative model of healthcare delivery for the NHS.
- The hospital chain model boasts significant successes internationally and is starting to gain traction in the NHS.
- Directly referenced in the NHS Five Year Forward View and the Dalton Review, the German experience of chains has been the most widely discussed and positive.

A team from PwC went to Germany to see hospital chains first-hand.

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Hospital chains offer strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy

Hospital chains – key features

The key features of hospital chains highlighted below are the foundations for driving improved quality outcomes and addressing operational and financial sustainability issues.

Click the icons to explore the key features of the hospital chain model.

What is meant by a hospital chain?

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- A hospital chain is a group of hospitals operating under the same centralised strategic leadership.
- A chain could be publicly or privately owned.
- All sites in the chain are managed for the group by a devolved management team that have delegated decision-making responsibilities for their own hospital(s). They operate within the parameters set by the overarching chain leadership.
- Distinguishing features may include: group headquarters; standardised governance, protocols and procedures; and centralised back-office functions (e.g. HR, Finance, Procurement, Legal, Media, Communications and PR).

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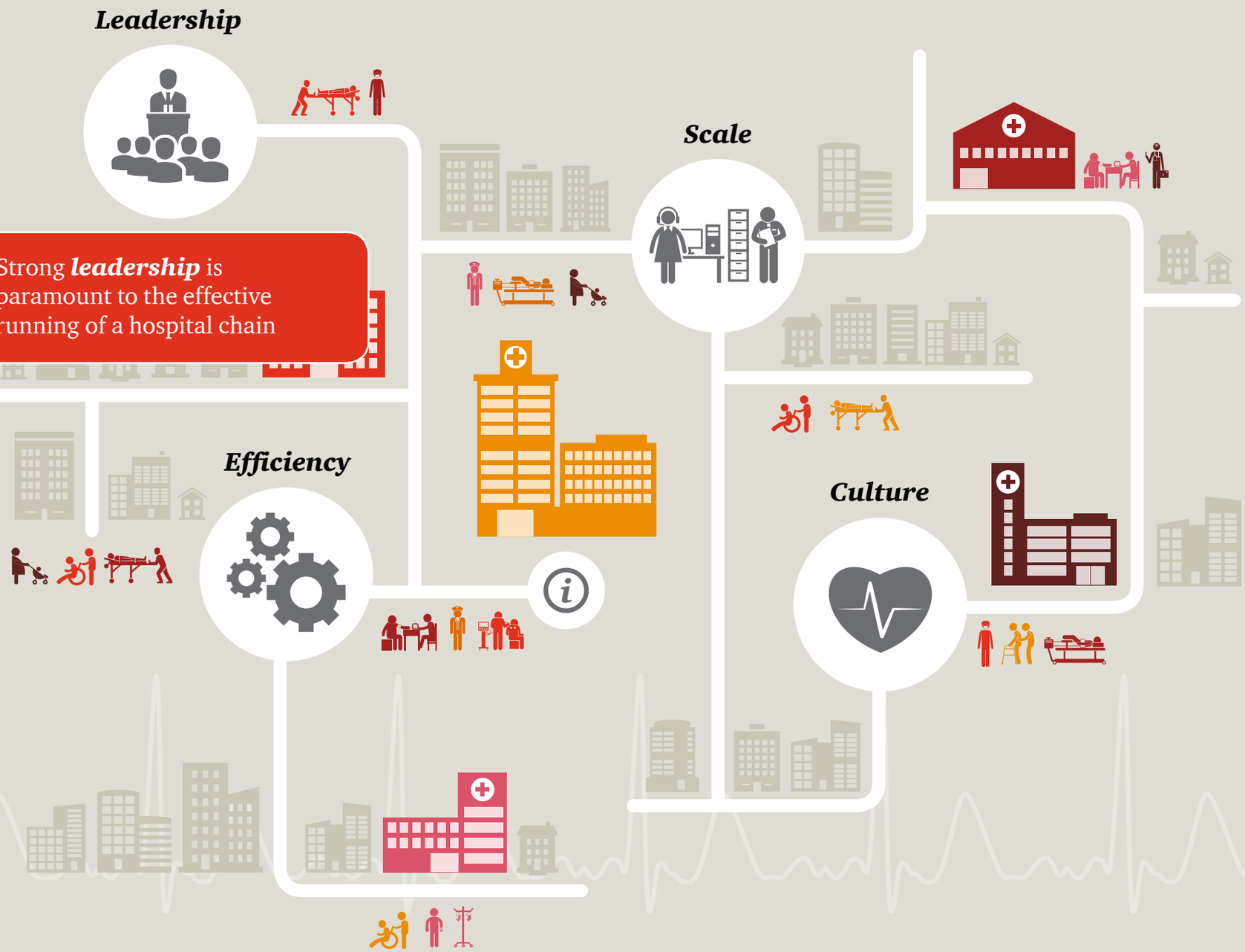

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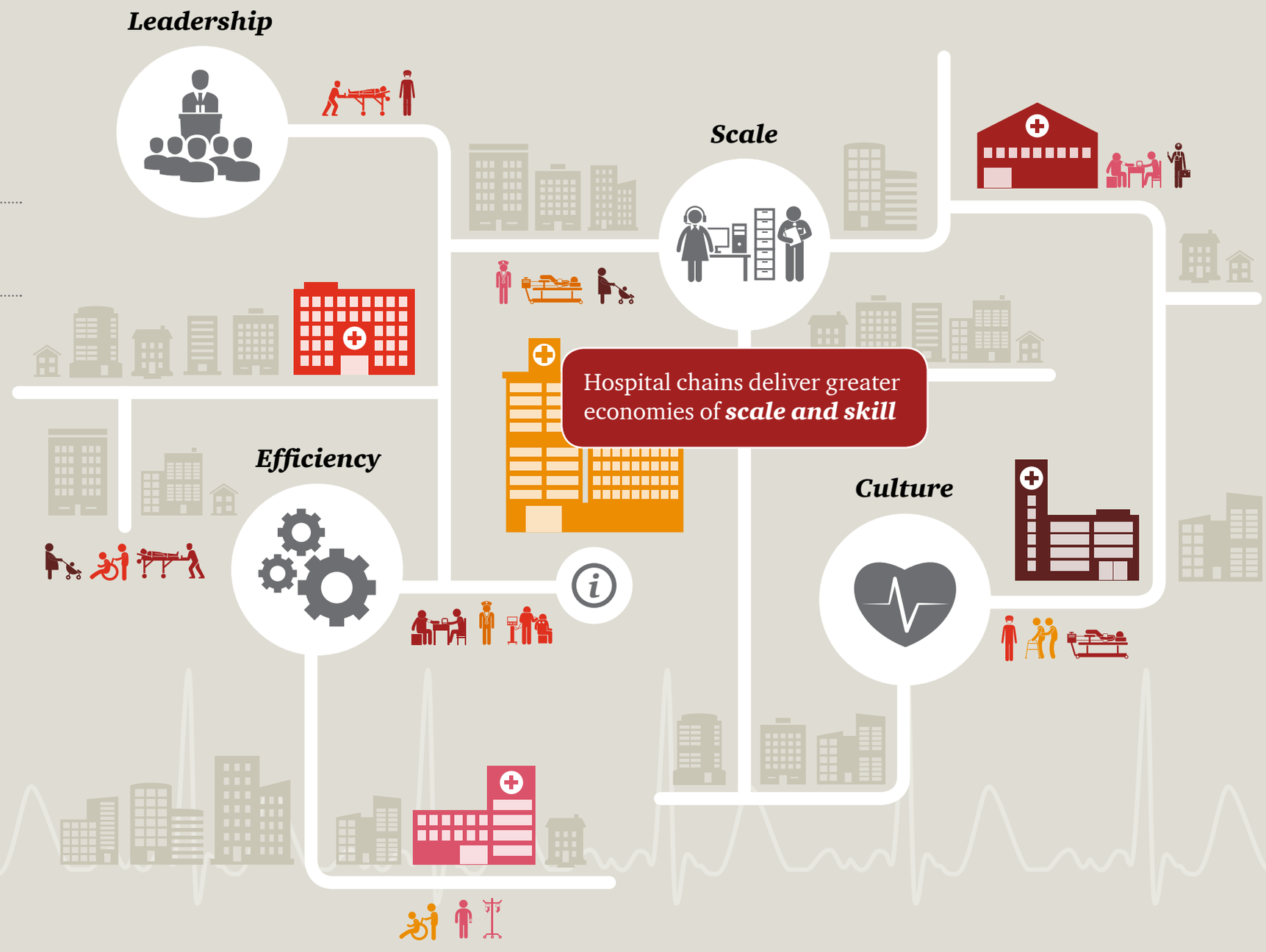

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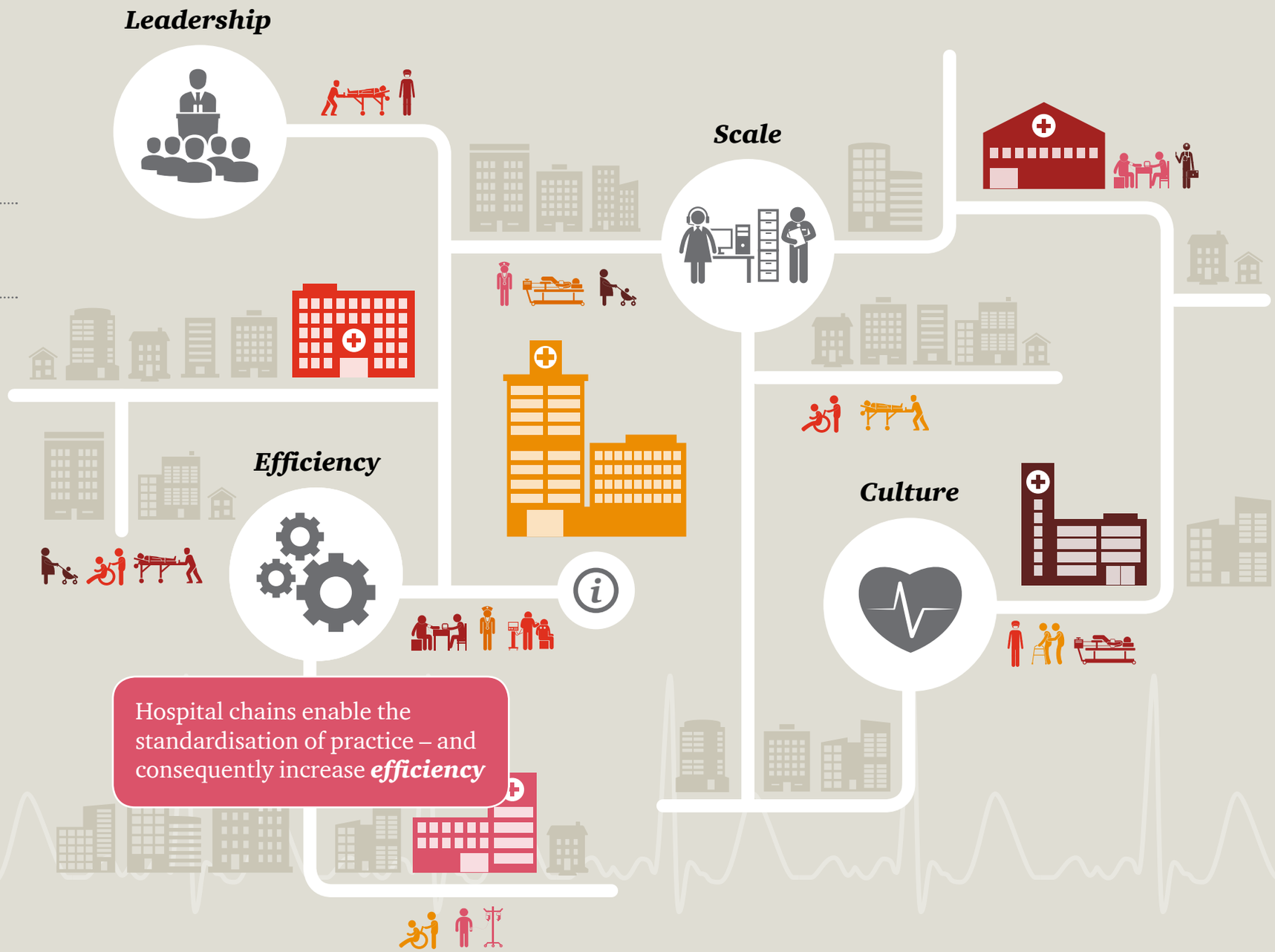

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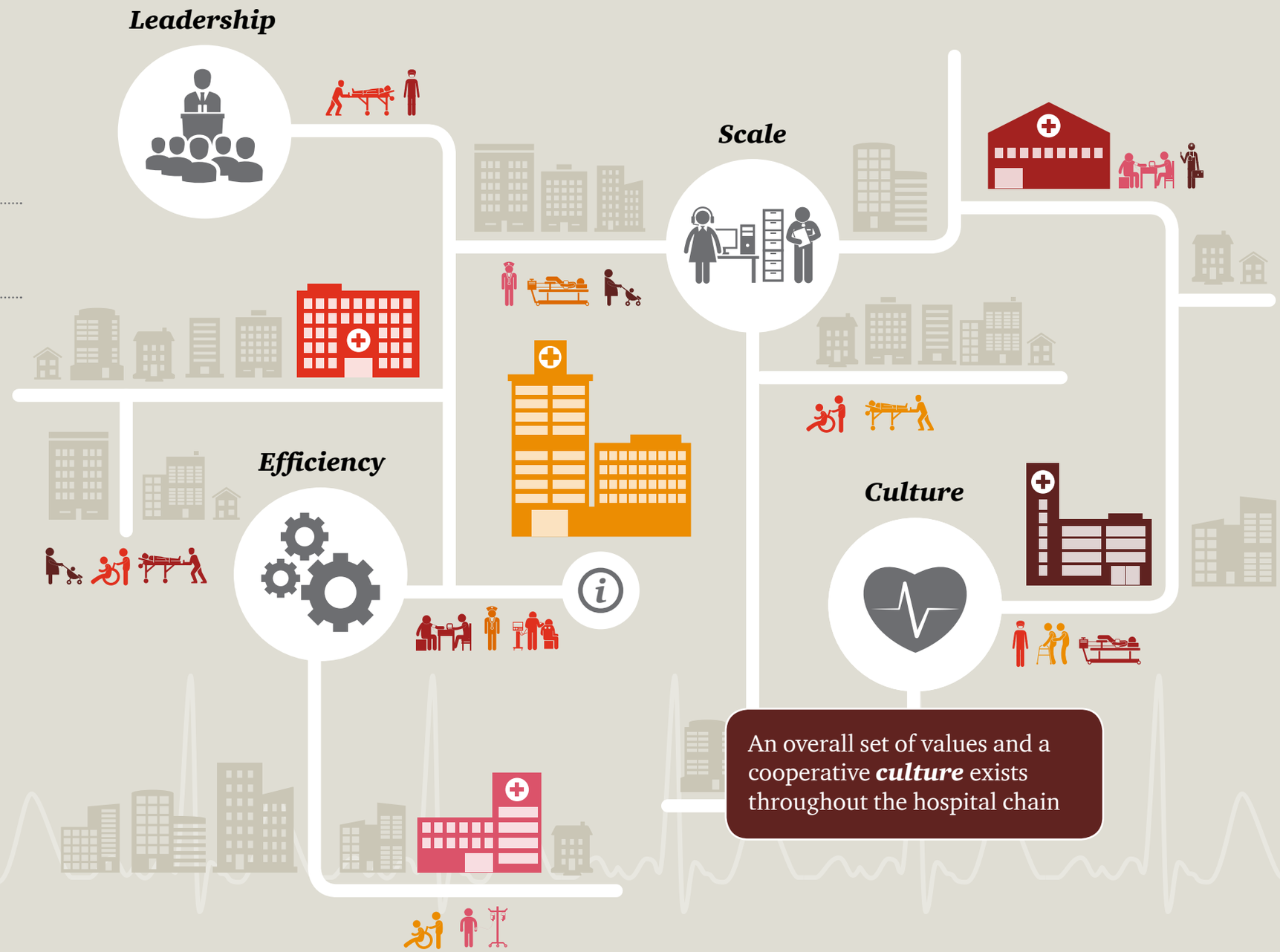

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A timeline – the building hospital chains narrative

Timeline – Click to progress

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February 2014

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- Multispecialty Community Providers (MCPs);
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- additional approaches to creating viable smaller hospitals; and
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German hospital chains are directly referred to in the NHS Five Year Forward View.

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NHS England then announces that it is expanding the Vanguard project to include the entire acute sector – no longer just viable smaller hospitals. The project aims to develop a nationally replicable hospital chain model option for Trusts and Foundation Trusts.

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June 2015

Leadership

Scale

Simon Stevens confirms the first three areas to be part of a new whole health economy 'success regime': North Cumbria, Essex, and Northern, Eastern and Western Devon.

It is announced that the Carter Review, a landmark review of NHS productivity, will produce a new measure for rating every hospital in England on the efficiency with which it uses staff and resources. All hospital trusts will be given individual savings targets, to begin delivering from January 2016. The nature of the 'Efficiency Challenge' as described by Carter gives significant weight to the espoused benefits of a hospital chain model.

The policy narrative has been developing since 2008. Is now the right time for hospital chains adoption?

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Drivers – the need for transformational change

Shrinking budgets, the drive for quality, organisational change fatigue, digital customer expectations – the challenge has never been greater. Click the icons below to explore how hospital chains can address the challenge currently facing the NHS across these drivers.

The four key features of hospital chains

Click the icons to explore the key features of the hospital chain model. These are the foundation for driving improved quality outcomes and addressing operational and financial sustainability issues.

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Drivers

Financial

Quality

Cultural

Digital

Drivers – the need for transformational change

The four key features of hospital chains highlight how they can help to overcome implementation challenges by delivering operational and financial sustainability issues.

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Drivers

Financial

- Since the inception of the NHS, health expenditure has increased by an average of 3.8% year-on-year in real terms. Government spending over the last four years has seen much lower growth, around 1% per year. In order to continue to meet demand within this budget, the NHS secondary care sector has been expected to achieve a 4% efficiency target year-on-year, historically however it has only achieved 0.8% annually.
- NHS Trusts in England reported a deficit of £2.26 billion in the first nine months of 2015-16. This compares with a total deficit of £822m in 2014-15 and £115m the previous year. Whereas 42% of trusts forecast a deficit at the end of the last financial year, over 70% reported a deficit in Q3 2015-16.
- The 2015 Spending Review announced £10 billion real terms increase in NHS funding in England between 2014-15 and 2020-21, of which £6 billion will be delivered by the end of 2016-17. This leaves the NHS with the challenge of finding £22 billion of efficiency savings by 2021, requiring unprecedented productivity improvements.

Is the time now right for the NHS to consider hospital chains to address this financial challenge?

Click here to find out more about how hospital chains can address the financial challenge facing the NHS

Drivers – the need for transformational change

The four key features of hospital chains highlighted in the model enable them to drive improved quality outcomes and addressing operational and financial sustainability issues.

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Drivers

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Quality

- The Public Inquiry into care failings at Mid Staffs Hospital lives long in the memory and the quality agenda remains more important than it has ever been.
- Not all NHS providers have improved at the same rate however, resulting in variation in quality of care across the country.
- The Keogh Review and most recently the Care Quality Commission's (CQC) State of Care report outlining the results of the Chief Inspector of Hospitals quality inspections, have emphasised the 'unacceptable' variation in care and the need for providers to tackle this in a more systematic way.
- Consistency of clinical standards is affected by issues including governance, leadership and financial viability and the factors driving these are many and varied.

Hospital chains have the potential to address financial and operational difficulties. Are quality and patient safety improvements perhaps more convincing arguments for adopting hospital chains?

Click here to find out more about how hospital chains can address the quality challenge facing the NHS

Drivers – the need for transformational change

The four key features of hospital chains highlighted in the model have the ability to drive improved quality outcomes and address operational and financial sustainability issues.

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Click on what is meant by a hospital chain

Drivers

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Cultural

- Recent high-profile top-down reorganisation efforts have left frontline NHS care professionals disillusioned and increasingly fatigued by imposed change.
- Without transformational change however, NHS providers will not be able to make the improvements required and will not be able to assure clinical and financial sustainability of services. The risk of inertia – doing nothing – is perhaps the greatest risk of all.

How can hospital chains address the cultural challenges posed by the NHS? Is hospital chains adoption a step too far for a workforce already fatigued by top down organisational reform?

Click here to find out more about how hospital chains can address the cultural challenge facing the NHS

Drivers – the need for transformational change

The four key features of hospital chains highlighted in the timeline enable them to drive improved quality outcomes and address operational and financial sustainability issues.

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Drivers

Shrinking budgets, the drive for quality, organisational change fatigue, digital customer expectations – the challenge has never been greater.

Digital

- The traditional divide between primary care, community services and hospitals is increasingly a barrier to the personalised and coordinated health services patients need. GPs and hospitals tend to be rigidly demarcated, so too are social care and mental health services even though people increasingly need all three.
- The NHS will increasingly need to dissolve these traditional boundaries and at pace.
- Long term conditions and co-morbidities are now a central task for the NHS; caring for these needs requires a partnership with patients over the longer term rather than providing single, unconnected episodes of care.
- The digital revolution has created fundamental and irreversible changes to our way of life. Those changes are particularly apparent in the health sector and, digitally enabled services are a vital element in the strategy that the NHS is using to head off the £30bn deficit expected by 2021.
- As the proportion of the digital native and digital convert population continues to grow, the majority of the population are increasingly expectant that services are tailored to our specific needs.

Patient expectations of care delivery and care management are rapidly changing. How is the organisational model of care going to change in line with this? Are hospital chains an appropriate response to the needs of a digital patient and a digital workforce?

Click here to find out more about how digital technology can enable hospital chains adoption

German hospital chains – facts and figures

German hospital chains

A brief history

The development of chains of hospitals in Germany started more than ten years ago. It came in response to a number of concurrent factors requiring providers to adapt service delivery to changing population and market needs to remain sustainable and competitive.

The key drivers behind the emergence of hospital chains within the German health and care system resonate very much with the current situation in the NHS:

- The **introduction of case-flat-rate remuneration,** based on diagnosis-related-groups in 2004. This is the equivalent of the tariff system, introduced in the UK in 2004 as part of payment by results (PbR).
- **Increasing financial pressures** felt by hospitals, given the decline in public funding available to support capital investment. Hospitals were increasingly having to draw on income allocated for operating costs to fund investments.
- **New regulatory efforts to improve quality and safety,** through the introduction of a nation-wide benchmarking quality assurance programme with more than 400 quality indicators used. The UK equivalent is the CQC and its focus on quality benchmarks and hospital ratings.
- The **increasing pressure to compete** in a market characterised by an oversupply of hospital capacity, where patients are free to choose where they are treated, based on quality of care provided, for instance.

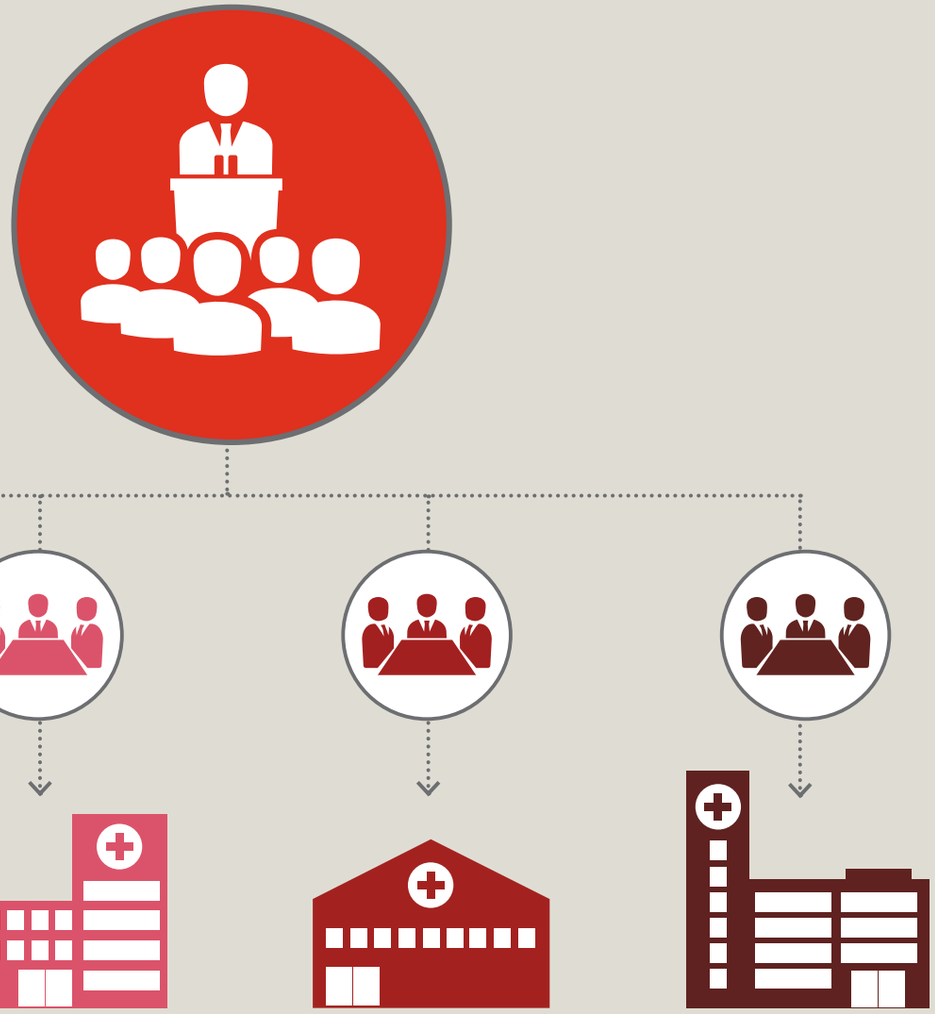
Therefore, while both the German and UK health systems have responded to very similar challenges in similar ways, the extent to which the two health systems amended their organisational models differs greatly. Whereas the NHS organisational form has remained relatively unchanged, the German system has adapted to incorporate the development of new forms of collaboration between hospitals through the establishment of chains, providing a way to improve competitiveness while maintaining or improving quality. This process has continued to develop over time, with over half of all hospitals in Germany today part of a group or chain.

Hospital chains – their role in the future of the NHS

Strategic ***leadership*** is paramount to the effective running of a hospital chains

Leadership

Definition: Leadership is (1) the action of leading a group of people or an organisation, or the ability to do this; and (2) the state or position of being a leader.



1 The **skillset of the leadership** of a chain is what distinguishes it as an organisational model. It requires a **separation of strategic management (at HQ level) from operational management (at each managed entity)**.

2 The **strategic approach** of the chain is set by the chain leadership and this is coupled with individual sites retaining **local autonomy** over operational management of core operations such as medical services, nursing and care services in their facilities.

3 Within a chain, **different models of leadership** can be employed per site as necessary. For example, a more rigid command and control style leadership can work for one site whereas a more devolved approach may be more effective for another site.

4 Different chain groups also employ **different approaches** – there is no one size fits all approach.

5 It is the responsibility of the overarching strategic leadership to **control innovation responsibly** at all sites of the chain. The leadership at the hospital chain we visited in Germany has worked to create an environment in which innovation and service enhancement is **promoted in particular innovation 'hubs'**. Services are maintained and more tightly defined and regulated, however, in other sites – or 'spokes' – of the chain.

NHS insight
Click here for the PwC point of view

Hospital chains – their role in the future of the NHS

Our view

- In order to operate an effective and successful chain of hospitals, **strong strategic leadership is paramount.**
- Leaders have to be able to **readily shift their mind-set** between strategic corporate leadership (managing the needs of the centre) and tactical operational leadership (local level, hospital specific issues).
- Even fairly modest buddying schemes to share a particular service or back office function create **operational, financial and clinical risk.**
- Chain leaders must be prepared for **increased scrutiny** from a wider range of stakeholders both internal and external. NHS leaders are well used to heavy scrutiny locally, regionally and nationally in the press and from regulators. However, moving to a chain is likely to increase the number of stakeholders and relationships to manage. An **increased shift in strategic leadership will be important** in this context.
- NHS England has sent out the clear message that struggling services and providers **will be prioritised as part of the new care models programme,** which is backed by the £200m Transformation Fund. Considering the managerial effort and time required to change the culture and operations of a failing service, **leaders must be equipped to address cultural challenges head-on**. This will require perseverance and a mind-set for **longer-term sustainable change** and will demand leaders who are enabled to stick around for the long-haul.
- Shifting the mind-set of Directors and board members towards one of **joint ownership and governance** with organisations in their chain will be required to avoid a scenario of some organisations 'winning and losing' and a shift to one of 'winning' for their patients and wider community.

The Dalton Review beckons leaders of successful NHS organisations to become 'system architects': using their social entrepreneurial spirit to develop innovative solutions to their challenges and to codify and spread their success. The best standards of care can and should be available, reliably, to every local site in the country. This is precisely what we saw in action at the German hospital chain we visited and should be adopted.

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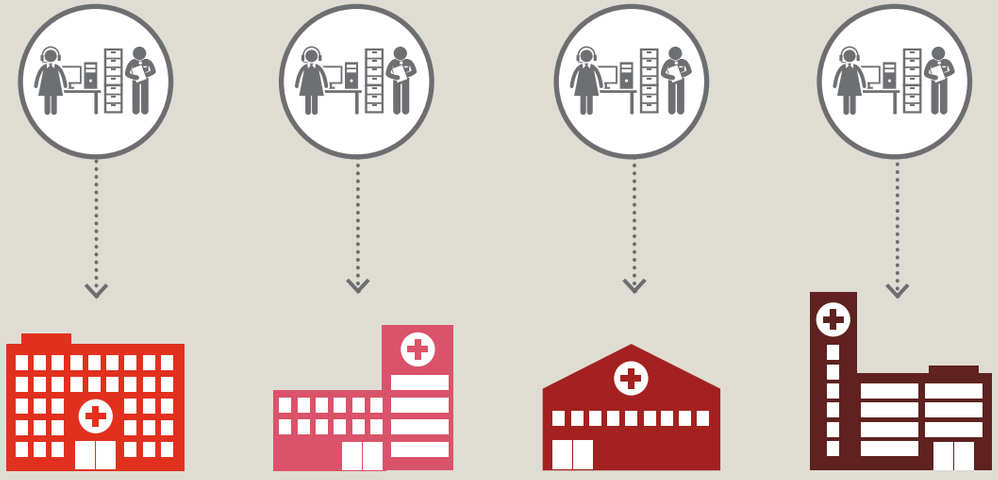
Hospital chains – their role in the future of the NHS

Hospital chains deliver greater economies of ***scale and skill***

Economies of scale and skill

Definition: Economies of scale are the cost advantages that enterprises obtain due to size, output, or scale of operation, with cost per unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output.

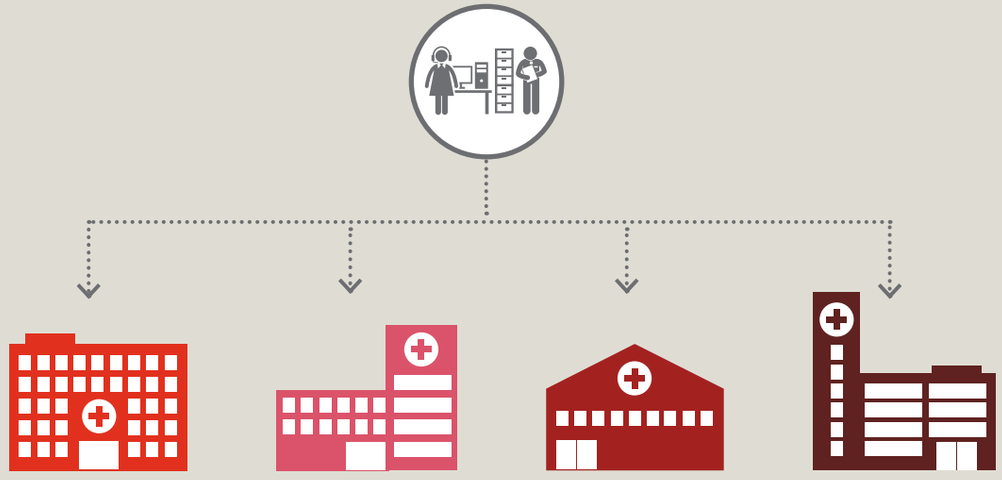


1 Operating as a chain delivers **greater economies of scale**, contributing positively to the chain's bottom line. 63% of the costs of the average UK hospital can be attributed to people costs, at the chain we visited people costs represent only ~55% of the total.

2 Individual sites within a chain recognise that they are unable to provide a service to the required quality standard themselves. 'Outsourcing' particular services to another hospital in the chain provides access to **different skills, expertise, new technology and helps resolve gaps in clinical workforce**.

3 By **centralising functions, in the first instance focusing on back office functions** such as IT, HR, Finance, Payroll, Comms, PR, Media, Procurement etc., a hospital chain produces efficiencies that can then be applied to future acquisitions with even greater benefit.

4 The **consolidation of skills in clinical support services and the standardisation of clinical protocols and pathways** throughout the network of clinicians in the chain enables the reliable delivery of service standards and improves outcomes.



5 **Collective procurement strategies** enable large savings to be made through reduction in the number of product lines and greater guaranteed volumes, particularly when adding new hospitals to the chain.

NHS insight
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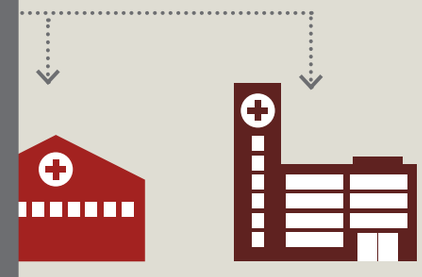
Hospital chains – their role in the future of the NHS

Our view

Scale provides the opportunity for some loss making or lower profit services to be subsumed within the wider chain. This sort of approach when adopted in the UK as a potential solution to failing services can often be too readily dismissed as 'hiding the problem'. In Germany however, we observed that failing hospitals were fundamentally transformed upon joining a chain.

- Often the multiple sites of a chain will be geographically dispersed. Chains provide the potential to share staff across different sites however we saw little of this in place except for back office functions and more traditional radiology services. There are real staffing and skill range difficulties within the NHS. The hospital chain we visited in Germany evidenced that hospital chains could alleviate the pressure posed by a limited and largely static workforce. A chain helps to facilitate economies of skill, moving around of resource to where it is most needed.
- Further digital adoption by healthcare providers would provide the opportunity and catalyst to mobilise staff across sites and drive productivity amongst the workforce. Chains could more readily support a flexible and agile workforce who can work 24/7.
- A flexible workforce would reduce the reliance on temporary, locum and bank and agency staff – improving continuity of care, patient quality and reducing costs. Given the extent to which the NHS deficit is being driven by 'egregious' spend on agency staff in the words of Simon Stevens, the notion of a dynamic workforce that can adapt to patient flow pressures is a particularly attractive one. This can be enabled by a hospital chain.
- German hospital chains have been able to drive a greater economy of scale in the more traditional middle and back office channels such as: Procurement, HR, Finance, Comms, Legal, Media, PR. Successful chains rapidly deploy standardised systems and processes and manage adoption carefully. The NHS doesn't make use of this opportunity at scale at present and there remains a limited number of examples of sharing middle and back-office resources across Trusts.
- To capitalise on scale and skill opportunities within a chain, an important consideration is the way in which staff (and in particular front-line healthcare delivery) are contracted, either to a set site or to the chain. In the NHS, staff will often be contracted to a particular site (rather than Trust), limiting the ability to flex requirements across multiple localities. This requires further exploration within an NHS context, and again could be better enabled through digital services, particularly as demand increases in line with seven day working.

The **consolidation of clinical support services and the standardisation of clinical protocols and pathways** throughout the network of clinicians in the chain enables the reliable delivery of service standards and improves outcomes.



people costs represent only ~55% of the total.

lines and greater guaranteed volumes, particularly when adding new hospitals to the chain.

NHS insight
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Hospital chains – their role in the future of the NHS

Hospital chains enable the standardisation of practice – and consequently increase *efficiency*

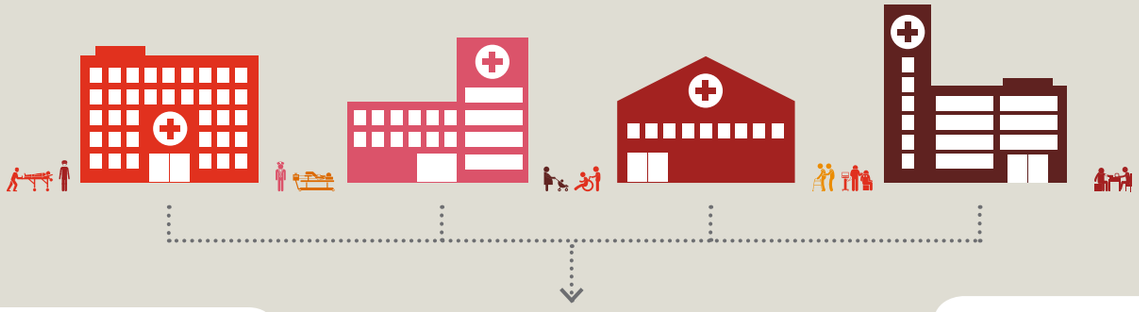
Efficiency

Definition: Efficiency is defined, for the purposes of this document, as (1) the state of achieving maximum productivity with minimum wasted effort or expense; and (2) working in a well-organised and competent way.

1 Hospital chains enable **the standardisation of practice** – and consequently the delivery of this at a lower management cost overhead.

2 Due to the standardisation of practice, the chain leadership can demand **higher financial and quality expectations** of its subsidiaries. Targets can be different at each hospital within the chain.

3 A chain encourages a standardised approach to the adoption and **spread of innovation**, particularly for new technologies and devices. **Good practice** is identified and communicated upwards to the leadership and can be disseminated across the other subsidiaries of the group.



4 A standardised approach to the improvement methodology allows **failing hospitals** to be added to the group and turned around in accordance with an established blueprint for success. This encompasses due diligence processes, legal processes, interim staffing and project management. The burden of the struggling site and the fees associated with the acquisition can be shouldered by the chain as a whole until the performance of the failing hospital has been improved.

5 Efficiencies are further derived from another benefit of hospital chains: **Scalability**. Adding another site to the chain only adds marginal cost as the fixed costs lie in the corporate hub and shared functionality.

NHS insight
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Hospital chains – their role in the future of the NHS

Our view

The standardisation of practices and services, and back office processes (such as Procurement, HR, Finance, Comms, Legal, Media, PR) was common across the sites we visited. However, there was little evidence of effectively standardised clinical delivery, and clinical variation still exists.

As emphasised by the Dalton Review, 'form follows function'. Organisational form should always be designed to support the practical delivery of care and should not be 'an end in itself'. Whilst a particular model of care such as a chain may be appropriate in one instance, it might be wholly inappropriate in another. The effective meeting of patient need must always remain the uncompromising 'red line' in these considerations.

- Reliability of clinical standards is affected by issues including governance, leadership and financial viability and, while a chain model can address some aspects of these issues, it cannot be considered a panacea.
- There are several ways that chain-style arrangements could operate in the UK which stop short of a full takeover. For example, trusts could set up buddying arrangements for particular medical specialties, or local hospitals could have their back-office services taken over to cut administrative and procurement costs.
- The idea behind hospital chains plays to the peculiar algorithm of public service improvement: if you lump together a good institution and a bad one you end up with two good ones. The notion of synergy mergers have been attempted recently in schools in the UK with mixed results.
- Similar examples of this in UK health have also demonstrated however that success is not always the outcome. The most notable examples include:
  - The takeover eight years ago of Good Hope Hospital by Heart of England Foundation Trust (HEFT); and
  - The struggles Bart's have undertaken since their merger and entering Special Measures.

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NHS insight
Click here for the PwC point of view

Contact

Hospital chains offer strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy

Hospital chains – their role in the future of the NHS

Our view

- Heart of England Foundation Trust perhaps best demonstrates how long, hard and expensive it can be to shift to a successful operating model. Should the NHS pursue a chains style organisational model – or something akin to that which stops short of a full takeover – these are fundamental lessons that must be learned.

A German chain experience of financial turnaround is particularly interesting in the context of turnaround and sustainability. The hospital chain we visited brought into the chain a hospital with a EUR 50 million deficit. Within two years, as a result of investment from the Strategic centre the hospital was generating a profit and showing growth of 10%.

- When studying the German experience as a blueprint for success in this regard, an important caveat to consider is that the motivations behind a hospital's takeover and turnaround are vastly different due to the nature of the competitive German healthcare market.

- There is variation in terms of the extent to which NHS Trusts are performing financially and operationally. NHS England have recently announced that they will be directing providers struggling both financially and operationally towards new care models as part of a 'success regime' of which hospital chains may form part of the solution.

- At the private chain we visited, success and sustainability of service provision did not appear to be on the same knife edge that UK public health providers might find. While German public hospitals may share similarities with the NHS experience of turnaround, the provision of a private service in Germany appears to be justified more by profit than by the principle of altruism, one that is so important to the NHS.

- While the German hospital chain experience can shed light on executing a successful turnaround of a failing hospital (e.g. the detailed due diligence processes, the robust contractual agreements, the effective post-merger integration), realistic expectations need to be set as to how far the NHS (as we know it) could boast similar achievements.

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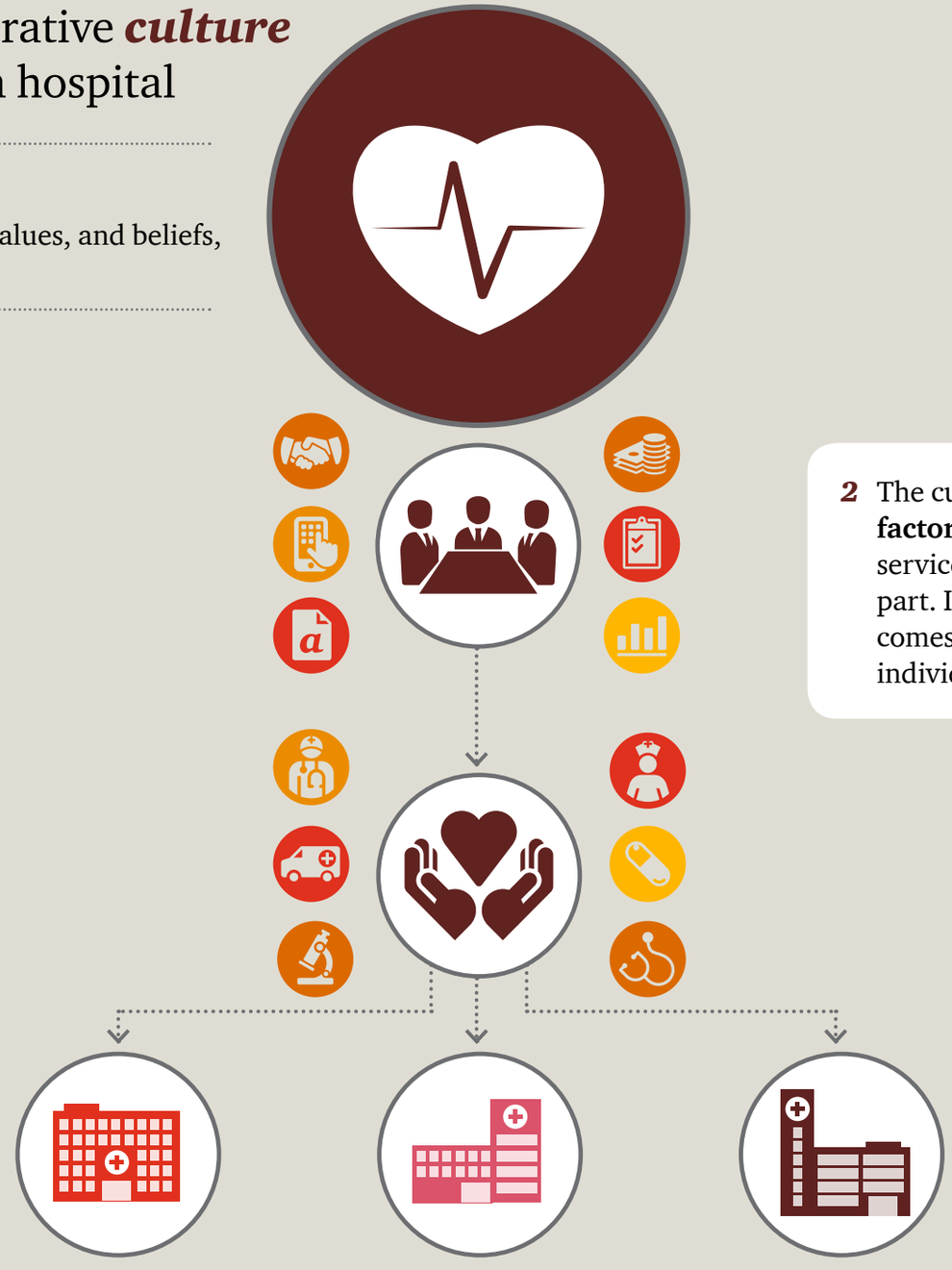
Hospital chains – their role in the future of the NHS

An overall set of values and a cooperative ***culture*** permeates at the level of each chain hospital

Culture

Definition: Culture is a system of shared assumptions, values, and beliefs, which governs how people behave in an organisation.



1 A hospital chain operates with an overall set of values and a **single strategic framework** which permeate at the level of each local provider. Culturally, this makes for a very cohesive and unified workforce. This can manifest itself in a 'can do' attitude or a **'cooperative spirit'.**

2 The culture of a provider is derived from a **number of factors over many years.** Local geography, historical service changes and local demographics all play their part. In spite of the standardisation of practice that comes with being a chain, nuanced **cultural values** of individual sites are retained and not lost to a franchise.

NHS insight
Click here for the PwC point of view

Hospital chains – their role in the future of the NHS

Our view

- One of the most striking features of the chain hospitals we visited was the sense of order and control that permeated at every level. Everything had its place, the non-cluttering of walls with signs and papers, office fillings, and medical equipment consumables stacked away neatly. It is was the uncompromising norm on every ward, in every clinical area and non-clinical area we visited.

> From Board to ward, there was seemingly an expectation of organisation and competence, benefiting staff and patients in equal measure.

- The Carter Review describes the need to create a culture of 'relentless cost containment' with a 'forensic examination of every pound spent in delivering healthcare'. Within a hospital chain, this can develop much more easily, beginning from the top down with a vision and framework set out by the chain's strategic leadership.
- In 2014-15, the NHS spent £2.5bn on nurse bank staff and £720m on agency nursing. This is due to an increased focus on safer staffing and a 29% increase in the rate of nurses leaving the profession. The Secretary of State has announced measures for addressing this spend and the Carter Review also emphasises the need to address the workforce productivity challenge.
- An often overlooked additional impact of the heavy dependence on temporary staff is the negative impact on staff morale. Tensions can exist between the permanent workforce and temporary staff passing through. A hospital chain can mitigate this, however, as staff come to collectively identify with the greater good culture and values of the group, while still recognising the cultural nuances of the individual sites. An agile and dynamic workforce – as called for by the Carter Review – is not only normalised within a hospital chain model, but welcomed.
- While joining a chain can have potential positive cultural impacts on participating sites, the scale of the initial challenge to join together multiple staff bodies and ways of working cannot be underestimated. The Workforce and Organisational Development (OD) leads at NHS Trusts and Foundation Trusts entering into a chain have an enormous task ahead of them. Both clinical and management staff need to feel not just engaged with, but actively involved in the transition to being part of a chain; shifting their collective mind-set to one of proactive cooperation for the good of the patient. This will involve significant OD and workforce planning investment as well as routinely working to design and configure services in a way that involves patients and health professionals alike.

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Contact

Hospital chains offer strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy

Call to action – what now for hospital chains?

Conceptually, hospital chains have now gained significant traction in the UK and internationally. Click the icons below to explore three of the most fundamental practical obstacles to effective hospital chains adoption facing the NHS.

Call to action

Obstacles

Commissioning

Regulation

Ownership

Back

Hospital chains offer strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy

Call to action – what now for hospital chains?

Click the icons below to explore three of the most fundamental practical obstacles to effective hospital chains adoption facing the NHS.

Call to action

Commissioning

Obstacles

The creation of hospital chains is potentially an important step to supplanting decades of NHS policy by replacing competition between separate hospital trusts with widespread collaboration. This is undoubtedly a commendable and important initiative to link the best performing hospitals with networks of others to help raise standards. To what extent, however, can Clinical Commissioning Groups (CCGs) keep pace with a renewed policy appetite for collaboration and a renewed impetus for transformative change, driven by the Vanguard programme?

As the 'customer' of care delivered to a certain geography and population, the commissioner must define 'the ask' or the 'wish list' for providers to provide as they see fit within the parameters set. However, the momentum behind hospital chains, and ultimately the convincing rationales of quality outcomes and resource sustainability, have up to now been provider driven. To what extent, therefore, can providers be confident that their interventions as part of a chain will be appropriately funded by the CCG? Are commissioners and providers on the same page here? There is no blueprint for this at scale and there is legitimate concern that CCGs might not get as quickly to the mind-set of collaboration as they have to.

Outcomes-based commissioning models that commission at a high-level, encouraging providers to fill in the detail, as long as they deliver on patient outcomes and financial targets, will be crucial enablers of the interventions of hospital chains or foundation groups. To what extent will CCGs be content to absorb any risk associated with such innovative models of commissioning?

Call to action – what now for hospital chains?

Click the icons below to explore three of the most fundamental practical obstacles to effective hospital chains adoption facing the NHS.

Call to action

Regulation

Obstacles

Part of NHS England's new care models programme, the application period for Vanguard sites to develop new care models closed at the end of July 2015. Selected hospital chain vanguard sites – referred to as foundation groups – were announced. The successful hospital chain vanguard applications are Salford Royal and Wrightington, Wigan and Leigh foundation group, Northumbria Healthcare foundation group and Royal Free London FT and work is already underway.

The new care models programme were initially backed by a £200m Transformation Fund. Following the 2015 Spending Review, NHS England announced the establishment of a Sustainability and Transformation Fund, of which £340 million will be invested in the Vanguard programme and other areas of the Five Year Forward View in 2016-17.

Monitor and the Trust Development Authority – now called NHS Improvement – as well as NHS England, will support providers of acute services develop new models that can be replicated across England at scale to improve quality, productivity and efficiency.

Call to action – what now for hospital chains?

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Call to action

Ownership

Obstacles

The private hospital chain we visited in Germany was quite candid about its private owners and its profit motive. Within public health and the NHS, the ownership question is more complicated and highly political. Hospital chains, conceptually, will be shrouded in suspicion and plans for collaboration will inevitably be dismissed by some as an excuse to make cuts or close services. Given the history of mergers in the NHS, the fear may be that smaller trusts will be gobbled up by larger ones in the name of efficiency, leaving services much less accessible for local people; or that chains will end up squeezing out competition and actually compromising care in the quest to maximise profit.

The history of mergers in the NHS, and in the wider world of industry, is by no means one of predictable success. In fact, some of the Vanguard collaborations are wrestling with non-mergers from the CMA. Equally, there isn't the resource for even high-performing Trusts to complete acquisitions in the current financial context. To what extent, therefore, will NHS England and the Department of Health investigate alternative ownership models to incentivise hospital chains? Could a shared ownership model work, whereby government and Trust equity is pooled and autonomy is incrementally earned?

Leadersh

Scale

Efficiency

Culture

Back

Call to action – what now for hospital chains?

Click the icons below to explore the steps that stakeholders should consider to ensure effective hospital chains adoption in the NHS

Next steps

Department of Health

NHS England

NHS Trusts and Foundation Trusts

Call to action – what now for hospital chains?

Click the icons below to explore the steps that the relevant stakeholders will have to take to ensure effective hospital chains adoption in the UK

Call to action

Department of Health

- The Department of Health have laid down the gauntlet for new models of care, with the 2015 Spending Review announcing investment of £120 billion a year by 2020-21 to drive forward the NHS Five Year Forward View.
- Equally, the commissioning of the Dalton Review marked **central government's serious intentions** to engage with innovative models of care.

Next steps

- **Continued incentivisation:** The Department of Health must continue to find the money to incentivise the new models programme. The appetite for change begins with central government.
- **Private sector involvement:** The NHS does not have a wealth of experience in this area and the experience at Circle will only bolster the claims for inertia. The Department of Health may be required to look to private hospital sector involvement to kick start a pilot at scale. The private hospital sector may have the experience, the capability and the tolerance to risk that the public sector does not have at present to front the initial costs and rise to the challenges of a new model of care.
- **Learning from international experience:** A new organisational model undoubtedly comes with risks that can be mitigated by learning from prior experiences nationally and internationally. To accelerate the pace of change, the Department of Health must make every effort to learn the practical lessons of hospital chains adoption and apply these learnings appropriately.

Call to action – what now for hospital chains?

Click the icons below to explore the steps that the relevant stakeholders will have to take to ensure effective hospital chains adoption in the UK

Call to action

NHS England

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- Monitor and the Trust Development Authority – now called NHS Improvement – as well as NHS England, will support providers of acute services **develop new models that can be replicated across England at scale** to improve quality, productivity and efficiency.

Next steps

- **Developing a shared narrative across the NHS:** The last 12 months represents one of the most intensive periods of imposed change in the history of the NHS. Much of this is coming from NHS England and the extent of the information push can result in change fatigue, disillusionment and ignorance around what hospital chains actually mean for the NHS. A key challenge facing NHS England, therefore, is conveying clearly that hospital chains are not just an idea that will come and go. The NHS workforce should be made aware that a shared narrative has now been built across the entire NHS system around hospital chains, culminating in pilot programmes becoming primed and ready for adoption.
- **Testing the concept at scale:** The NHS in its current position, has to take risks if it is to find a route to sustainability. Hospital chains are promising ideas that offer the potential to spread clinical excellence and deliver cost reduction. The test will be whether they can be delivered with the speed, scale and effectiveness to change the national picture. Therefore, an ambitious, large-scale pilot may be required to properly test the ideas offered by hospital chains conceptually.
- **Learning the lessons from the vanguards:** With the vanguard programme now launched, there will be a feeling within NHS England that the baton has now been passed and that the success or failure of the hospital chains model lies with the successful applicants – far from it. NHS England should constantly be looking to learn from these pilots, draw on international experience, and to be sharing the knowledge that comes out of them proactively.

Call to action – what now for hospital chains?

Click the icons below to explore the steps that the relevant stakeholders will have to take to ensure effective hospital chains adoption in the UK

Call to action

NHS Trusts and Foundation Trusts

- For Trusts and Foundation Trusts piloting a chain-style arrangement, **board members will be required to shift their collective mind-sets** towards one of joint ownership and governance with other organisations. This should hopefully **change** the unhelpful perception of service change by boards of 'winning or losing' for their organisation to one of **'winning' for their patients and wider community.**
- Patients will also need to be assured that **hospital chains adoption will not compromise quality of care or access to services.** Every level of the provider organisation needs to engage with the public in the benefits the new model brings.

Next steps

- **Invest in skills and capabilities:** Staff will need to be equipped with the skills and capabilities to make the grand plans of this new model of care a reality. The experience of the foundation group vanguards will be critical here to informing what the lessons are for staff to make chains a success.
- **Translate the political rhetoric to something meaningful for patients and staff:** The responsibility will be on NHS Trusts and Foundation Trusts to translate the political rhetoric around hospital chains for their patients and staff. Chains have been mooted under many names for 18 months now (buddying agreements, provider collaboratives, shared services etc.) but enough momentum has now built to make fully-fledged hospital chain arrangements a reality. For hospitals that become parts of a chain, there will be a requirement to clearly and concisely convey how the lives of patients and staff will be improved – or at least changed – within a hospital chain.
- **Share what's working, share what isn't working:** Organisational form should always be designed to support the delivery of models and standards of care, and should not be an end in itself. The Vanguard programme should not be so wedded to hospital chains conceptually that it loses sight of what works practically, the responsibility is on Trust leadership to be continuously communicating what is working and what is not working to allow the model to adapt and iterate.

Hospital chains – their role in the future of the NHS

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Hospital chains – their role in the future of the NHS

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Hospital chains offer strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy

Health overview

Healthcare matters to us and it matters to our clients.

We all want better healthcare, sooner and the potential is there to make it happen. New technology, new breakthroughs, new ideas. But while there are opportunities, there are challenges too: constrained budgets, an ageing population and an increase in chronic conditions. At PwC we're working with clients to steer a course to success in this new health economy so we help improve healthcare for all.

We're working with the NHS, nationally and locally, to deliver real, workable solutions to today's challenges. We're delivering transformation and integration projects with patient outcomes at their heart. And we're supporting organisations through testing financial times, often developing bespoke operational and digital systems. We give strategic support to organisations across healthcare and pride ourselves on convening different parts of the system to solve problems.

We also bring insight and expertise to healthcare as well as engaging in the public policy debate.

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