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Overhauling the overhauls

Will there be increased opportunities for more public-private hospital partnerships after the Dalton Review? ***Sunniva Davies-Rommetveit*** *does some crystal ball gazing*

The British public and sector insiders alike are very used to hearing the words "innovation needed" and "the NHS" in the same sentence. With headlines decrying a £2 billion funding gap and care quality failures, it is little wonder. Given the context, everyone is also used to hearing that a review looking into the problems will be carried out. Will the latest, the Dalton Review, actually make any difference though?

The Dalton Review, due out in September, is expected to argue that a variety of options should be made readily available to struggling NHS providers. Not only that, it will explore solutions to bad practice in the NHS as a whole. Contributors include Monitor, the Care Quality Commission (CQC), The King's Fund, Reform, Care UK and a network of foundation trusts. These will be headed by the chief executive at Salford Royal NHS Foundation Trust and review namesake, Sir David Dalton.

Steve Melton, chief executive of private hospital operator Circle, is one of 13 experts advising Sir David on the process. "The NHS as a whole is going to have to find a performance step up across the spectrum. That's what the Dalton Review aims to facilitate," he says.

So what are the suggestions, and just how innovative will they be? A recent King's Fund report called 'Future organisational models for the NHS' explores many of the options that the Dalton Review will encourage. Buddying, joint ventures, franchises and chains are some of the ideas being closely considered. While all of these models have been tried and tested to some extent, the review will argue that the models should be go-to innovation strategies, not isolated pilot experiments.

EARLIER COLLABORATION

Buddying & learning networks

Dalton is likely to recommend lower level collaboration models for NHS hospitals such as learning networks and buddying systems (*figure 1*) to share successful ideas and thus improve standards. Here, the accountability still lies 100% within the organisations.

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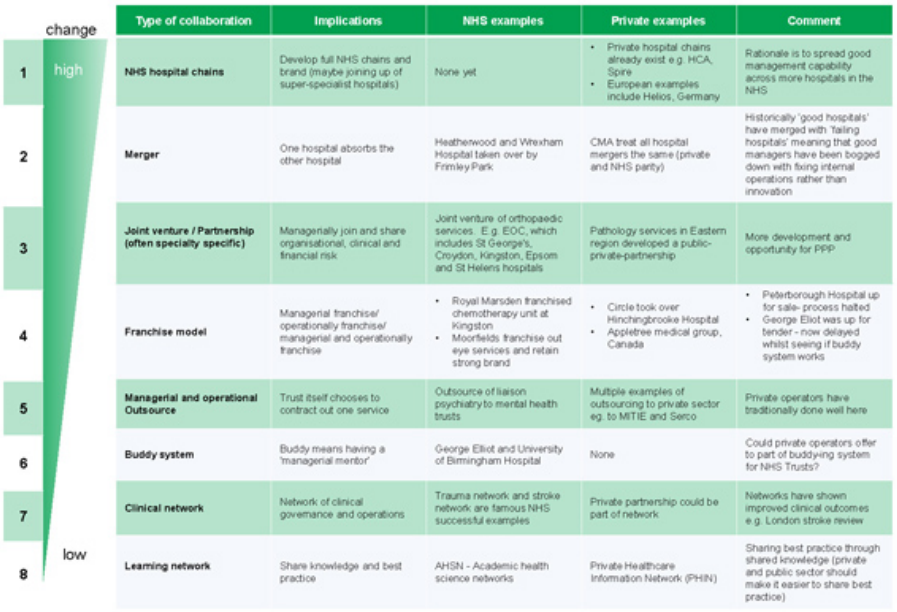
FIGURE 1
CHANGES THAT ARE HAPPENING IN THE NHS HOSPITAL SECTOR



change	Type of collaboration	Implications	NHS examples	Private examples	Comment
1 high	NHS hospital chains	Develop full NHS chains and brand (maybe joining up of super-specialist hospitals)	None yet	• Private hospital chains already exist e.g. HCA, Spire • European examples include Helios, Germany	Rationale is to spread good management capability across more hospitals in the NHS
2	Merger	One hospital absorbs the other hospital	Heatherwood and Wrexham Hospital taken over by Frimley Park	CMA treat all hospital mergers the same (private and NHS parity)	Historically 'good hospitals' have merged with 'failing hospitals' meaning that good managers have been bogged down with fixing internal operations rather than innovation
3	Joint venture / Partnership (often specialty specific)	Managerially join and share organisational, clinical and financial risk	Joint venture of orthopaedic services. E.g. EOC, which includes St George's, Croydon, Kingston, Epsom and St Helens hospitals	Pathology services in Eastern region developed a public-private-partnership	More development and opportunity for PPP
4	Franchise model	Managerial franchise/ operationally franchise/ managerial and operationally franchise	• Royal Marsden franchised chemotherapy unit at Kingston • Moorfields franchise out eye services and retain strong brand	• Circle took over Hinchingbrooke Hospital • Appletree medical group, Canada	• Peterborough Hospital up for sale- process halted • George Eliot was up for tender - now delayed whilst seeing if buddy system works
5	Managerial and operational Outsource	Trust itself chooses to contract out one service	Outsource of liaison psychiatry to mental health trusts	Multiple examples of outsourcing to private sector eg. to MITIE and Serco	Private operators have traditionally done well here
6	Buddy system	Buddy means having a 'managerial mentor'	George Elliot and University of Birmingham Hospital	None	Could private operators offer to part of buddying system for NHS Trusts?
7	Clinical network	Network of clinical governance and operations	Trauma network and stroke network are famous NHS successful examples	Private partnership could be part of network	Networks have shown improved clinical outcomes e.g. London stroke review
8 low	Learning network	Share knowledge and best practice	AHSN - Academic health science networks	Private Healthcare Information Network (PHIN)	Sharing best practice through shared knowledge (private and public sector should make it easier to share best practice)

Source: Candesic analysis; King's Fund

The above models are meant to be a preventative measure, brought in when and if a hospital starts getting into financial or operational difficulty. These networks would, therefore, stop more drastic failures from happening.

Candace Imison, deputy director of policy at The King's Fund, has her doubts, however. "Given it's an informal arrangement, who will take the lead in a buddying situation?" she asks. A lack of leadership could actually stall progress for some partner hospitals.

Yet, provided there is a two-way conversation and both parties listen to each other, such an informal relationship could see some benefits without any obligations.

There's no reason why buddying relationships couldn't happen between public and private operators, too. Indeed, increased private-public collaboration on sharing best practice should always be encouraged. The private sector could for instance share business model ideas for struggling NHS providers. Opportunity-wise, moreover, if there are more informal private-public alliances following the review, this could result in more formal, Hinchingbrooke-like collaboration between the sectors.

There is only a limited amount of transformation that comes with the less intrusive options of buddying and consultations, though. Therefore, Melton explains, Sir David and his cohort are currently focusing more on the "medium and high level models".

CONCRETE OPPORTUNITIES

Mid- to high-level changes are where the most notable opportunities could materialise for private operators, and where the most innovation could be seen in the public sector. In fact, this is already happening to an extent: managerial and operational outsourcing, franchising and joint ventures are already going on. Outsourcing company Mitie, for instance, is prolific in increasing efficiencies in NHS organisations such as Great Ormond Street, Hospital and Oxford Radcliffe Hospitals NHS Trust. More companies like it could gain a firm foothold as established go-to options for trusts in need of a help, especially if Sir David gives this option the thumbs up.

Reform research director Thomas Cawston predicts that outsourcing and franchising uptake will increase post-Dalton. "Rather than merging a failing organisation, decision makers will go for smaller, less obstructive actions – like moving a single poor-performing department to another company," he says.

Franchise
The most notable and revolutionary private-public partnership to date is the Hinchingbrooke-Circle franchise. Day-to-day responsibility for both the operation and finances of the trust were handed over to Circle for a decade. Its recent clinical successes have made a case for the benefits of public-private operational franchises (although its slow progress on vanquishing the trust's deficit does raise a few questions).

"Before Hinchingbrooke, we were keen to reveal the innovation that the private sector can bring to the NHS. After the deal we could just show the hospital's stellar results to prove the point," Melton proudly explains.

Moreover, the Dalton researchers have travelled to European and Asian countries in search of interesting healthcare models. Melton points to the example of Italy's privately-owned Humanitas Research Hospital where 90% of its patients are publically funded.

However, there have been franchise failures too. When Tribal Secta took over managerial operations at Good Hope Hospital it did not, for example, stop the hospital from haemorrhaging money. The contract was cancelled two years in, and the Heart of England NHS Foundation Trust hospital eventually absorbed it. Care should be taken in future, therefore, when private operators win franchise contracts with their NHS counterparts. "What we've found is that the organisational model isn't the be all and end all, it's the way the organisations implement it," Imison rightly points out.

Mergers and chains
Mergers are, it seems, no longer in vogue. The King's Fund has quoted failure rates as high as 70% in achieving desired outcomes in NHS hospital mergers. But the Dalton Review does not necessarily want to stop the practice altogether, just transfer one hospital's success more seamlessly onto another. What better

way to achieve this, then, than the formation of a hospital chain?

In fact, health secretary Jeremy Hunt recently affirmed that he wanted Sir David to explore the current barriers to forming hospital chains. Melton is also an advocate of a "wide eyes open" approach. "If a number of providers can work together under a single organisation, they can share infrastructure, expertise and costs. But the way this affects patient choice and market consolidation is also worth considering."

Indeed, market consolidation has its dangers. Recent studies demonstrate that consolidation has steadily pushed the price of care up in the US. For instance, a Harvard University report entitled 'Hospitals, market share and consolidation' explains that hospital chains can mean they are able to negotiate higher prices with insurers, who would otherwise play institutions against each other.

Risks aside, if top-quality public hospitals begin to form chains, the NHS could have a series of recognisable, high-quality and highly desirable brands. For instance, Candesic partner Michelle Tempest envisages that following the Dalton Review, two types of chains could develop. Firstly, "super-specialist hospital chains that carry out high volume cardiothoracic surgery". Secondly, "more generalist hospital chains" which could see increased collaboration and integration between district general hospitals.

The development of such chains could indeed meliorate levels of care. But if the Dalton Review is to make a positive difference, the dangers of market consolidation and the evidence from countries like the US should not be brushed over.

POLITICAL JOUSTING

It is an interesting time to publish the Dalton Review. Nine months before a general election, the opposition's shadow health secretary Andy Burnham has already decried the government for "privatising" the NHS. This political jousting is likely to put any innovation on hold until May. To postpone improvements to patient care for political reasons seems, of course, wrong.

Nonetheless, many believe this will be the case, and question the Dalton Review's trajectory in light of a power handover to Labour. Vincent Buscemi, a commercial partner at Bevan Brittan, points out that a lot could change post-May. "You could see a radical policy shift with Labour in power. For example, they could decide to take the NHS out of the CMA's [Competition & Markets Authority] jurisdiction and give it back to Monitor." This move would make ensuring a more level playing field for the private sector a harder prospect. Whatever the political landscape looks like after May 2015 will colour the implementation of the recommendations that come out of Dalton, therefore.

What is most striking about the future recommendations, though, is that they are all already legislatively possible in the UK. "Even hospital chains can happen now in principle," Buscemi points out. So innovation needs to come not from the government, but from the organisations themselves. However, of course, there is a reluctance among some NHS organisations to let the private sector encroach on their territory.

Ultimately, then, the Dalton Review will have to underline the need for the NHS to actively facilitate this innovation, and shine a light on how to go about it. To implement these changes while dealing with this challenging backdrop, however, will be no small feat.

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