

Provider Development Board

Meeting Date – 9 November 2006

Agenda Item: 2.1

Title: Developing a Provider Strategy – Assumptions paper

Lead: Joe Gannon

Summary:

As part of its terms of reference the Provider Development Board is charged with developing a strategy for the PCT's directly provided services. This paper begins that process by setting out a number of underpinning assumptions implicit in the current strategic direction of the PCT, arising from Commissioning a Patient Led NHS (CPLNHS).

The assumptions are a precursor to the development of a provider strategy, the process for which will be discussed at the first Provider Development Board seminar in December. The paper is not seeking a decision from the board, rather a discussion as to the best way forward and a shared view of the next steps.

Recommendations:

The Provider Development Board is asked to discuss the assumptions in the above paper and the options for moving forward.

**Westminster Primary Care Trust
Provider Arm**

**Developing a Provider Strategy
A Discussion Document**

1 Assumptions

- The PCT and PEC will increasingly focus on commissioning, in line with Commissioning a Patient Led NHS (CPLNHS), Fitness for Purpose and the forthcoming non-executive appointments.
- The ambitious aims for community services in the recent White Paper, Your health, your care, your say; focus on prevention, more patient choice, better access, and more support for patients with chronic diseases, will require a stepped improvement over time in the nature, quality and productivity of directly provided services. Westminster's growing elderly population will also drive up demand.
- National drivers to achieve this by creating more diversity in the provision of community care will continue and new providers of community health care, including the private sector, will increasingly enter the market.
- Practice Based Commissioning (PBC) will expand and PBC strategic intentions for community health services will begin to emerge in 2007/08. Opportunities & pressures to develop joint provision and commissioning arrangements with council services will increase.
- Demands on community providers will increase. Commissioners will want to see demonstrable outcomes for clearly defined and costed services, which provide alternatives to hospital care, value for money and quantifiable patient satisfaction.
- Commissioners will want to commission an increasing number of services, which offer tailored support to patients with chronic diseases. Commissioners will expect providers to develop services which integrate with local authority services and other providers, around care pathways.
- At the same time pressures on shared corporate services, IM&T, informatics, finance, HR, Clinical Governance and others will increase, as staff and committees pull in different directions and face competing demands to deliver more with the same or less resources.

- WPCT Board has stated that it does not generally support acute hospital provision of community health services locally. Westminster Council, like the PCT, will be examining its future role as a provider of services and will also seek to focus on commissioning, with provision of services being contracted out. Opportunities may exist for developing jointly provided services across the PCT and Westminster Council.
- Many PCT's will aim for complete separation of commissioning from provision, to allow them to focus exclusively on achieving commissioning aims e.g. East Surrey PCT from Oct 1st. Arguably complete separation is equally critical to the success of future provision, in order to protect community health funding and to avoid slow decay through loss of focus.
- The routes to achieving complete separation are limited at present. The preferred approach in Westminster is via a tendering approach and/or via creation of a separate enterprise to administer and run its provider arm.
- There are significant barriers to tendering existing services, including unanswered questions on process, terms and conditions, contract lengths, TUPE, estates, community tariffs etc(see recent Kings fund report.)
- Arguably to achieve contestability and to stimulate a supply side market in the short to medium term (0-2 yrs), the most realistic option for PCT's is to create separate provider enterprises or ALMO's, which can operate in a business like way and compete for tenders. Such enterprises could be social or fully commercial in nature and could include some or all of the PCT's and councils directly provided services.
- Arguably the development and modernisation of Westminster's directly provided services will proceed at a faster rate within a separate enterprise, allowing as it would a whole organisational focus on achieving the White Paper vision for community services This in turn would allow it to maximise opportunities to innovate and attract scarce clinical staff.
- A relatively limited range of organisational options exists for such enterprises and include Not for Profit Social Enterprises and private sector provision. Community Foundation Trusts are also being considered by the Department of Health (DOH) at present.
- At the same time there are risks to embarking on significant organisational change and the efforts required to set up alternative governance and organisational structures are significant.
- The demands on the current corporate infrastructure and the expertise and effort required to set up new organisational structures, mean that external expertise and additional resources would be required.
- Support for PCT's aiming to create separate provider enterprises are being developed via the DOH Social Enterprise Unit and Partnerships UK, a treasury body aimed at fostering enterprise in the public sector.

- Although the provider workforce is currently stable, new skills and competencies will be required to operate in an enterprise environment. These will initially be in short supply across PCT provider units.
- The reshaping and separation of the PCT in terms of commissioning, provision and shared services, will lead to tensions, as people move in to new directions but need to continue to deliver on day to day objectives. Making explicit the current strategies to develop a commissioning only PCT and a separate provider enterprise, could serve to reduce these tensions, as the direction of travel becomes clearer for staff.
- The direction of travel has already been set and the provider arm strategy being developed by the Shaping the Future (STF) programme should reflect this. Westminster's community services will benefit from a strategy which explicitly seeks to create a separate provider enterprise to develop and modernise the PCTs directly provided services.

2 Conclusions

PCTs face considerable challenges in delivering ambitious commissioning and provision aims.

The commissioning PCT faces rising demand for hospital services; higher expectations to involve people, to provide choice and more personalised care. Financial pressures are significant and system reform is accelerating with the expansion of Practice Based Commissioning. Commissioners will want to develop contestable community services, in what is a poorly developed market.

On the provider side, community health services face a number of distinct threats and challenges, at a time when they need to excel and expand in line with the White Paper vision for better and more out of hospital care. In order to thrive, community services will need strong clinical and managerial leadership and a business like approach.

Corporate and support resources are already stretched as they seek to support the delivery of these challenging agendas.

Arguably the PCTs aims can best be achieved by separating the provider arm from the commissioning PCT. To maintain the status quo is to risk a gradual lack of focus on both commissioning and provision to the detriment of these aims.

A contestability/tendering approach is not a realistic medium term strategy for achieving separation, largely due to lack of supply and choice in community health providers.

Arguably the creation of a separate enterprise such as an ALMO, to administer and run some or all of the PCTs directly provided services, separate from the commissioning PCT, would allow the PCT to achieve its aims and should be the subject of a detailed options appraisal to be considered by the Trust Board.

3 Recommendations

The Provider Development Board is asked to discuss the assumptions in the above paper and the options for moving forward.

Joe Gannon
Director of Primary Care
October 2006