



**Update report for the proposed acquisition of  
Heatherwood and Wexham Park Hospitals NHS Foundation Trust by  
Frimley Park NHS Foundation Trust**

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## PURPOSE

The purpose of the paper is to provide the Surrey Health Scrutiny Committee with an update on progress towards a possible acquisition of Heatherwood and Wexham Park NHS Foundation Trust by Frimley Park NHS Foundation Trust. The transaction timeline is challenging and many elements are subject to change, but this paper gives a report of the state of play in mid May 2014.

## TIMELINE

- 2012/2013 – HWPH concludes they are unsustainable as a stand alone business. McKinsey report for Berkshire East commissioners concludes acquisition by FPH as a sustainable solution for HWPH
- April 2013 – OBC for the acquisition of HWP by FPH developed for FPH
- August 2013 – review by FPH board of OBC and conclusion to consider proceeding to FBC
- October 2013 to January 2014 – support from central bodies for consideration of the FBC
- February 2014 – FPH board decides to proceed to FBC
- March 2014 – submission of case to Competition and Markets Authority (formerly Office of Fair Trading)
- 1 May 2014 – Care Quality Commission releases inspection report rating HWPH as ‘inadequate’ and HWPH is placed in special measures by Monitor on 3 May
- 14 May 2014 – CMA clears the proposed acquisition
- Summer 2014 – proposals reviewed by boards and councils of governors of each hospital, and by Monitor the foundation trust regulator, who must approve the transaction

## BACKGROUND AND CASE FOR CHANGE

**HWPH is currently facing significant financial, operational & clinical challenges. In the absence of the transaction, ongoing financial and operational challenges may risk FPH’s sustainability in the medium term**

- ▶ **Increasing financial and operational pressures** are being placed on acute Trusts. FPH is facing declining surpluses over the coming years and HWPH is in a continuing unsustainable financial position
- ▶ **There is a continued drive for high quality sustainable care in the NHS.** FPH is at risk of becoming clinically subscale in certain areas as the NHS consolidates to preserve and improve quality care. HWPH already has areas of poor quality in patient care and has lost certain services
- ▶ **FPH and HWPH are facing a growing and ageing population,** coupled with a forecast increase in chronic diseases, which will put additional strain on local services
- ▶ **The combined organisation provides the opportunity to achieve critical mass in clinical services** and achieve a sustainable financial position
- ▶ **Options appraisal has shown that acquisition offers the best opportunity for FPH** to maintain medium term sustainability at the current time
- ▶ **An Outline Business Case for the transaction was approved by the FPH Board in August 2013 and reviewed by Monitor in October 2013.** The FPH Board decided to proceed with a Full Business Case for the acquisition in February 2014

## NATIONAL HEALTH CONTEXT

The national context breaks down into four areas which drive the rationale for the acquisition of HWPH.

- ▶ **Ongoing financial challenge.** NHS Trusts throughout England are required to deliver efficiency savings of circa 4-5% per annum. Increasingly it is recognised traditional CIP schemes alone will no longer deliver the required savings. Trusts will be expected to engage in wider transformational change and service reconfiguration with other agencies and providers in order to deliver the productivity improvements required.

- ▶ **Increasing operational pressures.** Trusts across England are encountering increasing demand for acute services, particularly through escalating ED attendances and unplanned admissions to hospital. Additionally, an ageing population with associated long-term conditions will demand more from health care providers year on year.
- ▶ **Increasing quality expectations.** There is ever increasing scrutiny of Trusts, hospitals, departments and individual healthcare professionals. Rolling CQC inspections, the Francis report, and more recently the Keogh Review, are increasing pressure to maintain high standards of care at all times, requiring changes to health service culture and working practices in the context of a constrained funding environment.
- ▶ **Doubts over the sustainability of smaller acute Trusts.** A series of reviews and guidance<sup>1,2</sup> have recommended that increased specialisation of clinical teams serving larger populations deliver improved outcomes for patients. Another challenge for smaller Trusts is sustaining services as primary care and specialist secondary care providers increase market share. Additionally the recent report by Monitor on the performance of the Foundation Trust sector for the year ended 31 March shows, that out of 18 failing acute Trusts, 16 are small to medium ( that is, have an income up to £400m).

## LOCAL HEALTH ECONOMY CONTEXT

At a local level, health services will need to respond to anticipated changes in the demographic and health profile of the local population. Local councils have drawn up Joint Strategic Needs Assessments (JSNA) which identify some common themes that drive the health needs of the local populations. These are:

- ▶ **Population growth:** The population is expected to grow by a total of 3.3% between 2013 and 2018.
- ▶ **Ageing population:** Growth in the 75+ age group is forecast to be a total of 11.6% between 2013 and 2018. This is significant since more than 70% of people aged 75+ have one or more long term condition. The average person aged 85+ makes three times as many visits to primary care and is 14 times more likely to be admitted to hospital than the average 15-39 year old.
- ▶ **Levels of deprivation:** The FPH and HWPB catchment populations in general have low levels of deprivation. However, there are pockets of deprivation within the catchment area, such as parts of Camberley, Aldershot and particularly in Slough. Typically less affluent areas will have a disease profile that is more associated with deprivation such as respiratory disease and diabetes. Comparatively, the more affluent areas have a higher life expectancy, but face the associated disease and need for long term care that comes with an ageing population.
- ▶ **Health profiles:** Cardio-vascular disease is the leading cause of death in both males and females across the catchment area. The incidence of chronic conditions is expected to increase over the coming years, stroke continues to increase nationally, and dementia is predicted to increase by over 50% in the next 15 years.

All of the above means that there will be significantly more operational pressures over the coming years on both Trusts. Improved care of the elderly services and implementation of integrated models of care are key to reducing unplanned hospital admissions.

## TRUST OVERVIEWS

Frimley Park Hospital NHS Foundation Trust is a district general hospital located in Surrey, close to the Hampshire and Berkshire borders. The Trust provides a full-range of district general hospital services for the population of North East Hampshire and West Surrey. The catchment population has grown significantly from 170,000 in 1974 when the hospital was built to between 400,000 and 500,000 today and this figure is expected to grow further.

Heatherwood and Wexham Park Hospital Foundation Trust serves a population of between 400,000 and 500,000 people from the areas of Ascot, Bracknell, Maidenhead, Slough, Windsor and south Buckinghamshire. The Trust

<sup>1</sup> "Is volume related to outcome in healthcare? A systematic review and methodological critique of the literature", Ann. Intern. Med. 137: 511 – 520 Halm et al, 2002

<sup>2</sup> Hospital volume and health care outcomes, costs and patient access, NHS Centre for Reviews and Dissemination, systemic review 1996

delivers a wide range of healthcare services from two main sites; Heatherwood Hospital in Ascot opened in 1923, and Wexham Park Hospital in Slough opened in 1968.

## FPH AND HWPB DRIVERS FOR CHANGE

The specific imperatives for change for both FPH and HWPB are outlined below:

### FPH Hospital Drivers for Change

FPH is facing declining operating surpluses over the coming years, the consequence of annual efficiency targets and increasing clinical and demographic pressures affecting commissioners. The FPH leadership anticipate a real threat to the sustainability of patient services unless a fundamental strategic change takes place.

The leadership team consider the Trust is too small to meet the following future challenges:

- ▶ **Clinical:** FPH is at risk of becoming sub-scale as the NHS consolidates into fewer larger Trusts and hence losing services and income over the medium term. NHS England has outlined specialised services provided in centres of excellence as one of their key priorities for Trusts going forward<sup>3</sup>.

The implications of this are that there will be fewer specialist service providers with larger market shares. For FPH specifically, there is a risk of services being lost and volumes being reduced as specialist secondary providers increase market share in response to this.

FPH also wishes to maintain its current position as a centre of excellence, able to attract and retain the right high quality staff to maintain and improve services for its patients.

- ▶ **Financial sustainability:** In light of the scale point above FPH is forecast to suffer from declining surpluses from FY2014/15 onwards. Additionally FPH will find it increasingly difficult to meet the annual circa 4-5% efficiency requirement placed on Trusts, and will face pressure from a shift to move care into the community and a virtually flat funding settlement for the NHS anticipated over the next few years.

### Heatherwood and Wexham Park Hospital Drivers for Change

HWPB is at present not financially sustainable and requires significant recurrent financial support and there is an acknowledged requirement to improve governance throughout the organisation. The Trust has been in breach of the terms of its authorisation since 2009 and continues to exist with a significant financial deficit. The Trust has struggled financially since 2009, with a deficit position in 2012/13 of £15.3m. In addition, Monitor announced the Trust had been placed in special measures in May 2014. As part of this process FPH has been invited to 'buddy' with HWPB.

Several attempts have been made to build a viable future, however, the HWPB board in January 2012 recognised that its position as a standalone organisation was unsustainable, chiefly due to the level of capital investment required to provide quality facilities.

The following challenges have been identified:

- ▶ **Clinical/ Financial Scale:** The board of HWPB has recognised that in its current position it is unsustainable and sub-scale, having already lost certain services including hyper-acute stroke; the 24/7 PCI service and Level 2+ neonatal care.
- ▶ **Patient Care:** HWPB had a red rating recorded on Oct, 2013 – the lowest governance rating since July 2009. The Care Quality Commission (CQC) found serious clinical failings at the Trust during its inspections over the course of 2013 and in a more recent inspection carried out in February 2014. The overall and most recent CQC findings of the Trust were rated as inadequate with a question continuing over its future sustainability. A total of twenty four actions were recommended – eighteen as 'must' happen and six as 'should' happen. On 3 May 2014 Monitor announced HWPB had been placed in special measures.
- ▶ **Financial sustainability:** The Trust has been in breach of the terms of its authorisation since 2009, and it continues to have a significant financial deficit, and is unable to deliver the necessary capital expenditure to

<sup>3</sup> NHS England 5 year planning strategy document 2014/15 – 2018/19

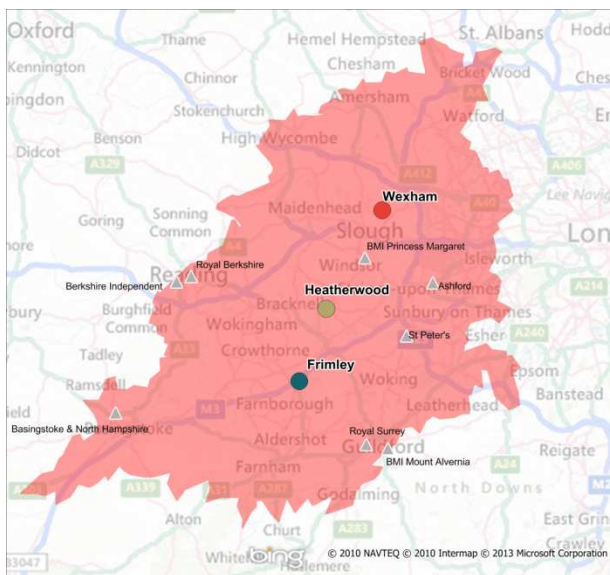
improve the Wexham Park site. It has been classified by Monitor as having a FRR (Financial Risk Rating) of 1 (the lowest rating) since 2009 and now has a CSRR (Continuity of Service Risk Rating) of 2.

- ▶ **Governance:** The Trust has been classified by Monitor as a poor performer against its peers for governance standards, scoring a red rating since 2009. Despite several changes of leadership since the Trust was declared in breach of its Terms of Authorisation by Monitor, none have succeeded in resolving the issue. On 3 May 2014, Monitor announced the Trust had been placed in special measures.
- ▶ **Human Resources:** The Trust is also facing short-term challenges in providing increased Consultant-led service provision and managing with reduced numbers of junior doctors; while endeavouring to meet the surgical safety thresholds. For example, the new guidance on acute colorectal surgery and increased demand for specialised on-call rotas. It is also struggling to recruit staff, having high levels of agency staff across clinical and non-clinical areas.

### OPPORTUNITIES AS A COMBINED ORGANISATION

The acquisition of HWPH by FPH and the resulting increased catchment area of between 800,000 and 1,000,000 people will create the organisational scale necessary to establish robust, sustainable services for the people of Berkshire, Buckinghamshire, North East Hampshire and Surrey. The current geographic catchment of the two Trusts is shown in Figure 1 below and is based on referral patterns and distance to the hospital sites. Figure 1 below shows a 30 minute drive time, and captures around 90% of all the GP referrals to both current Trusts.

Figure 1: Catchment area of the enlarged Trust capturing circa. 90% of GP referrals to the two current Trusts



The acquisition will enable a platform for change, driving forward clinical service changes where appropriate and providing the impetus to create new services to serve the growing and ageing population. The enlarged trust will be better placed to recruit and retain high quality clinical staff and to offer excellent training opportunities. Back-office and operational consolidation will help release resources for front-line services.

The enlarged organisation will benefit from a unique opportunity to focus finances, resources, expertise and equipment to better serve patients. It will provide the capacity and impetus to review and improve delivery models.

### VISION FOR THE NEW ORGANISATION

***“United in the pursuit of the goal of continuous improvement and the ambition and passion to be the country’s best”***

- ▶ **The enlarged Trust will focus upon developing strong clinical leadership** across all sites, supported by a Board of the minimum size necessary to effectively manage the organisation
- ▶ **Effective values**, well established at FPH, will be promoted across all sites
- ▶ **A streamlined centralised back office function** will be implemented where possible
- ▶ **An integration plan and organisational development strategy have been developed** to support the acquisition.

Delivering the highest quality services for all patients remains the paramount aim for the FPH leadership team. In bringing together Heatherwood, Wexham Park and Frimley Park hospitals, the clinical and managerial leadership aim to deliver an organisation that provides service improvements and long-term benefits for patients and staff across the four counties of Berkshire, Buckinghamshire, Hampshire, Surrey and beyond. A key indicator of success will be the three sites operating together, genuinely integrated as if a single hospital unit.

The FPH management have successfully embedded their vision and principles among the staff through significant communication activities and leadership engagement. Following the acquisition, the executive team will lead the engagement work with teams, explain the imperative for change and cascade a single set of core values across all sites through the local management teams and face to face meetings with the Executives.

## PROPOSED CLINICAL VISION

**FPH has consistently delivered high standards of clinical quality and patient experience while HWPB is facing a number of clinical quality challenges that have been reported by both the CQC and FPH's clinical due diligence. The enlarged organisation will address these comprehensively.**

- ▶ The proposed clinical model will bring the following improvements across the enlarged Trust:
  1. **Improve the quality at HWPB** through a common culture based on FPH leadership through robust clinical governance
  2. **Improve existing services and develop new services** for patients based on sharing expertise and developing improved interfaces with community healthcare and the scale of the new organisation will allow for greater subspecialisation
  3. **Provide a new model of elective care including a new centre of excellence** for elective care at Heatherwood and enhanced patient centred models of care e.g. 'one stop shop' services.
- ▶ **Implementation will be carried out in a way that clinical quality is maintained and improved at all three sites** throughout the transformation

It is widely recognised that HWPB is facing a number of challenges in clinical quality. These have been demonstrated in an ongoing challenge in delivery of national quality indicators such as the 4 hour Emergency Department target and the 18 week RTT target for elective patients. A number of patient experience measures including the Friends and Family measure and annual patient survey indicate that patients are not happy with the delivery of service. The Friends and Family Test results are poor, particularly in A&E, with a national promoter score of 23 in December 2013 against a national average of 56.

Members of the public expressed their concern to the CQC regarding poor care and loss of privacy and dignity that they and their relatives experienced following treatment at the Trust. The most detailed CQC inspection recommended 24 actions, 18 as 'must happen' priorities.

FPH has consistently delivered a financial risk rating of 4 or above<sup>4</sup> and has won a series of awards<sup>5</sup> for high standards of clinical quality and patient experience. This is supported by a stable management structure that has demonstrated its ability to deliver over a number of years. The acquisition provides a way forward to improve services for both organisations, ensure equity of services and parity of access for the population served by HWPB and FPH. The proposed clinical model will bring the following specific benefits:

1. **Improve the quality at HWPB** through a common culture based on FPH leadership through robust clinical governance
2. **Improving existing services and developing new services for patients** based on sharing expertise and developing improved interfaces with community healthcare. The scale of the new organisation will allow for greater subspecialisation.

<sup>4</sup>Frimley Park Hospital NHS FT annual reports. Financial Risk Ratings of NHS Foundation Trusts: <http://www.monitor-nhsft.gov.uk/about-your-local-nhs-foundation-trust/nhs-foundation-trust-directory-and-register-licence-holders/he-0>

<sup>5</sup>Baby Friendly full accreditation (UNICEF); CHKS Top 40 Hospital (awarded for 10 consecutive years); MHP Health Mandate Quality Index Top five acute trust 2013; NHS Staff Survey: Best acute trust in the country for staff engagement (2013); NHS Staff Survey: Best place to work (acute Trusts in England, 2012); NHS Staff Survey: Best job satisfaction of an acute trust (2011); Cancer patient experience survey top 20% of all Trusts (2012/2013); First chemo department to be adopted by McMillan Cancer Care

3. **New model of elective care** including a new centre of excellence for elective care at Heatherwood and enhanced patient centred models of care e.g. 'one stop shop' services

Key specific changes envisaged within the proposed clinical model include:

- ▶ Changes in care of the elderly (CoE): proactive management of higher risk patients, provision of front-door CoE physicians, and greater integration with local health providers will create treatment pathways specifically for older adults and lead to both improved hospital care and early supported discharge;
- ▶ Changes in the ED model: excellent quality of care (in all 5 quality indicators) will be achieved through streamlined patient flows, 24/7 Consultant-delivered care, and closer integration with community services;
- ▶ One site to gain major emergency status
- ▶ The intention to deliver a hyper acute stroke unit (HASU) and pPCI at HWPH; and
- ▶ Changes in the urology and cancer networks to ensure that more local services are available for patients, including access to highly specialised services where possible.

Overall, the acquisition will significantly improve patient care across the catchment areas of FPH and HWPH. Bringing together two Trusts with important complementarities will deliver improved clinical outcomes through larger clinical teams and improved access to services for patients. The ability to attract and retain high quality staff will support the delivery of these benefits.

Implementation of the clinical model will be carried out to ensure that the existing excellent quality of services is maintained or enhanced, new services are developed and the clinical pathways are transformed over a pragmatic timeline so that senior leaders are able to devote adequate time to the integration. The focus will therefore be on delivering the short-term changes to 'business as usual' that address current clinical issues and preparing the medium- and long-term changes that will drive patient benefits.

This structured approach to stabilising and improving the delivery of services to patients will allow for services to be developed and delivered in appropriately planned ways, with good co-ordination between health and social care providers across the health communities. While HWPH is in an unstable position with an uncertain future, some patients are choosing to go to other parts of the health system in a less planned way, in some cases leading to pressure on services and difficulties in providing the appropriate capacity across the whole system.

The clinical model assumes that the mix of services currently offered to patients in their local area will remain locally. The clinical model is actually proposing that more services which have been lost from the HWPH sites be returned to be provided more locally on those core sites. This should become possible, with commissioner support, as the quality and financial stability of the enlarged organisation is delivered. Should the enlarged organisation wish to make any substantial service changes in the future, it would follow an appropriate process of involving all local stakeholders in shaping plans and giving formal feedback on those plans.

## ENGAGEMENT PROCESS

### Commissioner engagement

A commissioner engagement process was undertaken, with local and national bodies, to elicit commissioners' views on the transaction and to work through and agree the key principles and finances underpinning it. The Chief Executive and the Medical Director of FPH have attended public CCG meetings to discuss the process of potential acquisition, the drivers for change and the process by which the clinical model has been discussed so far. Clinicians from HWPH and FPH have met on a specialty by specialty basis to discuss opportunities presented by an integrated organisation. Each area has met at least three times. There has also been a meeting with senior clinical leaders in CCGs to discuss and review emerging ideas for clinical services and future improvements in quality and service delivery.

This engagement process is ongoing. High level outcomes include:

- ▶ Supportive of plans to improve the elderly care services, including greater integration with community providers
- ▶ Supportive of improvements to the HWPH ED to reduce non-elective activity
- ▶ Majority supportive of an elective facility being developed at Heatherwood

- ▶ Comparison of baseline activity and financial assumptions has shown that there is a strong alignment on the overall forward assumptions for the enlarged Trust, but some difference in starting positions
- ▶ Several potential opportunities for repatriation of work such as Obstetrics and Ophthalmology have been identified.

### **Public and patient engagement**

FPH has been discussing the proposed acquisition with its members, public and patients and the Council of Governors at Council of Governor meetings and at local constituency meetings. The core programme of health events held through the Trust's community includes a dedicated section outlining the Trust vision. These events are typically well attended with 100 to 200 guests.

At each meeting the reasons for considering this acquisition are presented and those attending are encouraged to ask questions and provide feedback. Across the range of meetings that have been undertaken so far, the majority of those present understand the reasons why FPH wants to consider the acquisition.

Public statements about the progress of the acquisition process continue to be shared with local media as appropriate. The Trust plans to utilise its strong and active social media community to engage the public as acquisition approaches.

### **Phased approach to engagement**

FPH is taking a phased approach to engagement as the nature of engagement, messages and stakeholder impacts will change through pre-acquisition, integration and transformation.

## **CONCLUSION**

We are very much aware of the complex issues at Heatherwood and Wexham Park Hospitals NHS Foundation Trust. In supporting HWPH through a buddying process we will do all we can to help lift the trust's performance and improve services for local people, while continuing to explore the potential acquisition of HWPH.

The board at Frimley Park Hospital NHS Foundation Trust continues to work on a full business case examining the prospects of the acquisition in great detail. This stage is due to be finished by the summer. Once completed, the full business case will form the basis of the case made to each trust's board and council of governors and to Monitor, the foundation trust regulator, in seeking their agreement for the acquisition to proceed.

The acquisition has been assessed and cleared by the Competition and Markets Authority, whose review was completed in mid-May 2014.