

87-91 Newman Street  
London W1T 3EY  
0203 350 4612

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**RE: Update on NHS system financial recovery plan**

Dear Colleague,

We are writing as the STP lead and CCG Accountable Officer for the NHS in North West London, to update you on our NHS system financial recovery plan, and some immediate measures we are proposing.

All parts of the NHS in North West London are working together with local people to develop a long term strategy that improves health and care and ensures robust, high quality services for all our patients. That strategy will be our local response to the NHS Long Term Plan. We expect to publish the final version of our local five year strategy in November 2019; a draft will be circulated in September 2019.

At the same time, we face an immediate challenge, with our sector as a whole forecasting a significant financial shortfall this year. As such, alongside our longer-term planning, we are developing a **financial recovery plan** to get us back on track, so that we can focus on the improvements we need to make for the future.

This plan will not be a single document, but is likely to be a set of iterative proposals which sets out how we will address these challenges and suggests options to be considered. Some of these ideas will be about removing waste and duplication and will not affect patient services. Some ideas, especially those affecting patients, will generate strong views, and we will need to make some difficult choices. In putting forward our plans, we want to emphasise again that the safety of our patients and the quality of our services will always come first. We will work with patients, local residents, NHS staff, our local authority partners, Healthwatch and the voluntary sector as our plans for the next five years take shape.

We would also want to emphasise that we have no wish to inappropriately shift costs to other parts of the system, but we want to work with all partners in the best interests of our residents.

### **Background**

North West London CCGs face a significant deficit in 2019/20. Our operating plan set out that we were heading for a £51m deficit at year end, but our month four position now suggests that we are risk of an additional £61m overspend. The two largest elements of our overspend are acute activity and the costs of continuing healthcare.

A range of factors have led to the current financial position.

- Since 2015, expected growth in our population has been outstripped by increased demand for hospital care. The NW London population has grown by 5%, while acute

activity has increased by 18%. In particular, unplanned care has risen by 25%, accounting for over half our increased spending.

- While our funding allocations have increased, the rise in demand for health services has outstripped the increases in funding.
- Lack of standardisation and efficiency in commissioning of clinical and non-clinical services has increased costs and led to variations in the quality and costs of care.
- Challenging estates issues, lack of capital funding and disagreement over previous proposals have made it difficult to progress long-standing issues. We always anticipated that the financial position would get worse without broader strategic changes being made.
- Our substantive staffing has increased by 9% since 2016, due partly to increased activity but also to safe staffing guidance, pay increases and the new junior doctor contract.
- Until recently, our financial performance was broadly similar to the NHS in London as a whole. However, our position has worsened over the last year due primarily to increased demand for unplanned care in hospital, a failure to achieve savings plans, a lower uplifts to budgets than the rest of London.

Our plan aims to make sure that our services are clinically and financially robust. There are four key elements of our plan:

- Eliminating waste and duplication, and making sure we consistently get the best value for taxpayers' money
- Stemming further growth in demand for services by doing things differently
- Standardising clinical services to make them more efficient and rationalising non-clinical (back office) functions
- Working as one integrated system: we are developing an 'integrated care system' across North West London in which providers and commissioners will work as a single team with our local councils to deliver the best care and outcomes for our patients and residents.

We are putting a strong focus on the system which is around the London North West University Health Care Trust, where the financial challenges are greatest. We will be working with the Trust and its CCGs (Brent, Ealing and Harrow) to try to resolve the long-standing issues that have led to this area of North West London being particularly challenged.

#### **Action to date**

We have started work across the system on our recovery plan. We have agreed on some immediate measures and some areas where we need to carry out further work. These measures are about good housekeeping and avoiding waste and unnecessary expenditure.

Further measures will be put forward in the near future.

<b>Initiative</b>	<b>Description</b>	<b>Rationale</b>	<b>Next Steps</b>
Repatriation of elective work to local hospitals	Return 15% of elective work referred out of sector back to acute providers. Providers replace loss making emergency work, commissioners save 30% tariff. From 1 <sup>st</sup> November.	We have seen large increase in the number of patients referred out of sector. Bring a proportion of these back to North West London providers saves 30% on tariff costs	Guidance will be issued to GP practices in the next few weeks.
Outpatients	Opportunity to significantly reduce consultant to consultant referrals (C2Cs), follow ups, and outpatient procedures.	C2Cs are 20% of the £250m spent on outpatients in NW London. Between 17/18 and 18/19 there has been 20% increase. We know patients are having to attend outpatients unnecessarily when there are better options.	Commissioners will be setting out a new policy on C2C referrals and issuing guidance on consistent contractual approaches on new to follow up shortly.
Over The Counter (OTC) Medicines	Target reductions in the costs of OTC medicines which are available at low cost in pharmacies and supermarkets.	The current cost is £18m a year; we need to very significantly reduce this spend as other sectors have done.	We intend to implement the new policy in the next few weeks, when communications materials will be available to practices, supported by the CCGs. The CCGs will be engaging with patients and the public about this.
Patient transport	Review contracts to standardise at lower cost. Review eligibility criteria.	The full year cost is £24m and one of our contracts is high cost. There are opportunities to bring down costs by standardising assessments.	Aligned contracts are being agreed, along with new guidance on eligibility criteria. The CCGs will be engaging with patients and the public about this.
Home oxygen	Target reductions in home oxygen costs by improving the system cost base to upper quartile level.	Home oxygen costs can be brought down without loss of service.	Further advice to follow.
Enteral feeds	Target reductions in parenteral feeds through better prescribing and procurement	There is evidence we could reduce costs without a reduction in quality	We shall be reviewing procurement options.

Unscheduled care	We are working as a system to understand the significant increase in activity in our emergency departments, and how we might better direct patients to more appropriate care settings.	Unscheduled care has seen the biggest increase in activity and is the major cost driver.	Local urgent care boards will be agreeing action in their areas.
Demand management	CCGs will profile acute contracts by primary care network (PCN) and practice, so GPs know how much activity is left on the acute contact and when it is being exceeded.	CCGs already have practice visits to discuss contract usage. This will further aid in bringing activity back to contract by setting out clear expectations for each practice and PCN.	A comprehensive information package is being developed centrally which will be issued via CCGs.

### Engagement and next steps

We will be talking to local authorities, local residents and other stakeholders about plans that will affect patient services for the next few years, as they take shape. Some elements of our plan may require specific public engagement plans and we will work with patients, the public and all our stakeholders to get their input build consensus around the best ways forward. As further proposals emerge from our financial recovery plan we will keep you fully involved and informed.

We hope that this update is helpful.

Yours sincerely,

Mark Easton  
Chief Officer  
NW London Collaboration of  
Clinical Commissioning Groups

Lesley Watts  
CEO  
Chelsea and Westminster  
Hospital NHS Foundation Trust