

Nick Chard
Chairman
Health Overview and Scrutiny Committee
Kent County Council
Members' Suite
Sessions House
County Hall
Maidstone
Kent ME14 1XQ

By email and post

Our Ref: SB/PM/jc

6 April 2011

From the Chief Executive: Stuart Bain

Dear Nick

Thank you for your letter dated 3 March 2011. As Chief Executive of East Kent Hospitals University NHS foundation Trust, I will be pleased to attend the KCC Health Overview and Scrutiny Committee at 10:00 on 19 April 2011. As requested, my email address is stuart.bain@ekht.nhs.uk.

Please find below, the answers to the specific questions you raise in your letter, and which I think also cover the two areas that the Committee wish a greater understanding of:

1. Why is achieving financial balance across the health economy important and what are the potential consequences of not doing so?

Achieving financial balance is a requirement of our Terms of Authorisation as a Foundation Trust and without financial balance across the whole health economy in East Kent runs the risks of temporary or permanent unplanned closures or changes to health service provision. Indeed without year end surpluses East Kent Hospitals University NHS Foundation Trust (EKHUFT) will not be in a position to invest in new services, technologies, drugs, buildings or increased staffing levels. Recovering any previous overspends will also mean less money available for patient care. In the new "Liberated NHS" this may become even more difficult as other willing health service providers may take the routine and financially beneficial services away from NHS acute hospital providers, leaving the latter to run the more costly and intensive acute emergency services on a reduced overall income.

However, financial balance alone is not the challenge, at the same time we must maintain access to quality emergency and elective services for the acutely ill patient. Providing these sustainably does require the organisation to remain in financial balance. For EKHUFT the consequence of not achieving financial balance, is a deterioration in the quality and number of services we provide, a serious breach of our Terms of Authorisation and the intervention of the Regulator, Monitor's, intervention.

2. What kinds of measures have been taken in 2010/11 in terms of changing what services you provide and the way in which they are provided within your organisation on order to try and achieve financial balance?

Our strategy over recent periods has been to repatriate appropriate services from London back into East Kent, deliver existing services more efficiently by changing the way we work, and concentrating on those services that must be delivered in a hospital setting. By implementing this strategy in 2010/11 we developed a Kent wide stenting service for heart attack victims built on our repatriated coronary angioplasty service, both of which increased income and provide care closer to home for the people of East Kent. We also extended our local neurology services and in addition more efficient one stop clinics have been developed for numerous services such as Urology. The speed of investigation and treatment has been improved to aid recovery and reduce times in hospital.

Improvements in the efficiency of existing services have included reducing our usage of agency staff, reduced reliance on sub-contracted activity, improved theatre utilisation so that more operations are undertaken during the normal working day and therefore reduced activity during premium payment periods. Revised working arrangements were also implemented in radiology and we reduced usage of private ambulances. We have also worked with Commissioners to ensure Referral Criteria have been adhered to, in order to help reduce unnecessary attendances at hospital, and that doctors switch from high cost drugs to those that represent value for money (where there is sound clinical evidence).

3. What kinds of measures are being considered for 2011/12?

In 2011/12 we intend to continue with this strategy with more emphasis on delivering £24m of efficiencies. These efficiencies will be delivered within EKHUFT, whilst we will also support and contribute to the County wide QIPP programme. Thus internally we will work to eliminate any unnecessary time spent in hospital, further improve theatre utilisation and day case rates. As part of the QIPP programme we will look to improve our procurement processes, streamline back office functions and rationalise elements of Pathology provision. We will also look to use technology to reduce travel across our patch and speed up work and decision making so that clinical care improves and workforce efficiencies are delivered. Given our turnover of staff and levels of expenditure on temporary staffing costs it is expected that this can be done through natural wastage without incurring redundancy costs. Though our strategy is also to maintain three DGHs

in East Kent the financial situation will mean that we may have to look at reducing the provision of some specific services to fewer sites. Thus, though services will be maintained in East Kent some may have to be delivered on fewer of the sites within our area.

4. What do you see are the main challenges to achieving financial balance across the health economy as a whole?

Through the contracting process we will continue to support the delivery of the PCT Strategic Commissioning Plan. However, with the demise of the PCTs and the rise of GP Commissioning, one of the challenges will be the avoidance of service duplication between numerous “willing providers” and losses of economies of scale in the Trust as GP clusters require services to be delivered differently between the various local hospitals. In an effort to avoid this we are trying to develop joint understandings of GP Cluster requirements. This is in an environment of unprecedented financial efficiency requirements within the NHS, limited availability of growth funding, a reduced Market Forces Factor for East Kent, a growing and aging population in East Kent, reduced funding available to colleagues in social services and a new organisation for community NHS services that combines East and West Kent. The effective operation of the latter two organisations are essential if we as an Acute Trust are able to operate efficiently, otherwise patients can stay too long in hospital and not recover as they should. The combined effect of these drivers and others such as innovation and regulation mean that Kent and Medway need to find over £300m of additional value/costs over the next five years. At the same time we will still need to deliver against all the access and quality standards such as 18 week referral to treatment and cancer waiting times.

5. What has been the impact of the NHS Operating Framework for 2011/12 and the financial settlement for this next financial year?

The Operating Framework for 2011/12 tasks us with achieving higher quality standards and increases the financial penalty for not doing so, whilst providing a net reduction of 1.5% in the tariff we receive for the work we do. It also requires the health economy to agree on the definitions of a number of standards and means EKHUFT needs to make c£24m of efficiencies savings in 2011/12 on a turnover of c£415m. Without these efficiencies we will not be able to meet the demographic pressures on us, or fund any new investment in our health system

6. How is the QIPP challenge being met within your organisation?

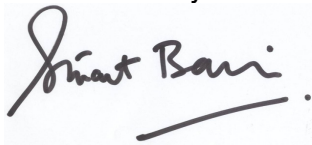
We are supporting the PCTs to deliver QIPP by making efficiency savings and working with the commissioners in developing effective services that avoid costly and unnecessary acute episodes of care. As a senior management team we in the acute Trust are also active participants in numerous groups that drive the county wide QIPP programmes in such areas as workforce efficiency, estates and back office functions. All this is aimed to ensure that East Kent NHS deliver savings of £67m in 2011/12.

7. Are there any particular demographic trends in Kent that will have an impact on the kinds of services you provide?

The movement of clinical services from Maidstone to Pembury may mean increasing pressure for some services in Ashford from the West Kent population, hence the reason why midwifery services were expanded at the William Harvey Hospital. Proposed reductions in the number of Junior Doctor posts in the NHS will also have service implications for the Trust that will need managing by re-profiling the workforce and amending the way we operate. As mentioned above this is at a time when the profile of the Kent population is expected to age. This ageing of the population will have serious implications for the delivery of acute hospital care, as over 65's are 18 times more likely to suffer heart/circulatory problems for example. By 2028 those living over 85 in Kent are expected to double and under 5's to increase by 10%. Changes in the ethnicity of our population will also impact on service provision, for example residents from Eastern Europe have increased smoking prevalence which can lead to an increase in cancer and circulatory related illnesses.

I look forward to meeting you on the day.

Yours sincerely



Stuart Bain
Chief Executive