BY APPOINTMENT TO HER MAJESTY THE QUEEN SUPPLIERS OF ELECTRIC AND ELECTRONIC TYPEWRITERS IBM UNITED KINGDOM LIMITED PORTSMOUTH

BY APPOINTMENT TO HRH THE PRINCE OF WALES SUPPLIERS OF TYPEWRITERS AND WORD PROCESSING EQUIPMENT IBM UNITED KINGDOM LIMITED PORTSMOUTH

THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT 1988

IBM

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Chief Executive

IBM United Kingdom Limited
PO Box 41
North Harbour
Portsmouth
Hampshire PO6 3AU
Telephone: Portsmouth (0705) 321212
Telex: 86741 (IBMPOR G)

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

5 May 1988

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Dear Prime Minister,

When we met recently at Greenock I agreed to come back to you on the National Health Service. A brief paper is attached and I would be delighted to discuss this with you when you wish, or with any of your colleagues whom you feel appropriate.

With your leadership, we believe that within two years effective Resource Management Systems could be running in 200 of the major acute hospitals. These can provide the detailed costings and performance comparisons that would be essential for a competitive internal market within the NHS. We have the skills and resources to implement the project outlined in the paper and I am sure that together we can achieve a dramatic improvement in this aspect of NHS management.

Thank you for giving me the opportunity to bring our ideas to your personal attention.

Yours sincerely,

Tony Cleaver

A B CLEAVER

Registered in England: No. 741598
Registered Office: PO Box 41, North Harbour, Portsmouth, Hampshire, PO6 3AU

RESOURCE MANAGEMENT IN THE NATIONAL HEALTH SERVICE

1. THE REQUIREMENT

Working with the staff and management of the National Health Service we have found that there are many skilled people and considerable enthusiasm for improving value for money through better resource management; indeed, many independent initiatives are underway. However, if the acute hospital sector is to be in a position to support an effective and competitive internal market in the near future, then those initiatives must be pulled together with a clear focus and with target dates for implementing Costing and Resource Management systems across the major hospitals. Only when such systems are in place will it be possible to manage the total service in the most effective and efficient manner.

2. Based on our experience of the Service, we believe that it would be realistic to plan to implement Resource Management Systems in 200 of the major hospitals within two years as the basis for an NHS internal market. Effective systems would enable funds to be allocated more sensitively relative to each hospital's case mix and would allow the speedy introduction of cost comparison and competition across a significant part of the acute sector.

3. The benefits in decision support which Resource Management systems can bring at clinician and hospital level would apply equally at higher levels when evaluating the allocation of funds. The availability of such systems is, we suggest, a basic requirement for any effective reform of Health Service funding as may be envisaged by Her Majesty's Government.

4. WHAT CAN BE ACHIEVED

Within the NHS Resource Management pilot projects, the IBM-based sites appear to be the furthest forward and they already demonstrate the capability of information systems to support a better balanced allocation of resources in and between acute hospitals. This has been illustrated in both a teaching hospital environment (Freeman Hospital, Newcastle) and in a District general hospital (Huddersfield Infirmary). Using information already at hand in the hospitals, the systems show what has been spent, and to what effect, at the level of the individual patient and clinician.

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5. The IBM systems process information input directly on behalf of the clinicians, at the patient level, allowing detailed costing to be established. Comparisons of resource allocation by patient episode can then be made and, when aggregated, by speciality, unit, District or Region. Given an appropriate classification system, internal comparisons of resource utilisation will also be possible.

6. Because the information comes directly from the clinicians, the analysis can prompt improved clinical practice as well as providing a basis for more efficient clinical research projects, thus enabling clinicians to do their job better whilst providing management with the information essential to the running of a hospital within an internal market.

7. IBM (UK) has available a unique software product (IBM Application System) which has been implemented to proven good effect in Resource Management pilot sites. This can significantly assist current management systems which are under strain from the impact of demographic changes and advances in medical science.

8. The IBM approach does not depend on specific feeder systems in hospital departments; rather it builds on computers already installed in the hospitals and therefore improves the returns from those existing investments. Costing systems, where they do not exist, can be developed as part of the Resource Management project. The IBM approach allows a staged implementation without interruption to the operation of the hospital.

9. PREREQUISITES

To deliver the perceived benefits within the short timescale proposed, it is our opinion that specific funding must be allocated for the investment needed to extend Resource Management across the United Kingdom. Furthermore we do not believe existing procurement procedures could support this timescale and new approaches will be required to achieve a co-ordinated programme.

10. There will be the need for a major education programme introducing clinicians and management to the 'business culture' of promptly accessible, detailed information as the basis for day to day decisions on resource allocation. This applies both to general managers, who must be seen to lead the implementation in their unit, and to the clinicians, whose co-operation and commitment will be equally key to this project. Resource Management provides a basis for clinicians and managers together to make informed decisions about the pattern of care to be provided.

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11. We perceive a lack of information and project management skills in the Service. Defined standard costs are a primary input to any Resource Management system, but they are frequently not calculated in acute hospitals. We are confident that IBM, in partnership with relevant management consultants, can help the NHS hospital staff address these shortfalls.

12. THE WAY FORWARD

We recommend that the Government appoint an IBM-led team to build on the success within the pilot project and to install Resource Management in twenty further acute hospital sites over a six month period. This team using the IBM unique system and combining IBM skills in software and project management with selected third party skills in standard costing, education, application development and end-user support would install Resource Management in sites including one per NHS region and two more teaching hospitals, over the six month period.

13. We would be prepared to submit a detailed quotation covering twenty sites within two months of receiving an agreed list of locations. Costs will vary depending on many factors including the size of the hospital, the scope of existing systems and the skills of staff. Based on our experience at the pilot locations we would expect that the average cost at each hospital would be between £500,000 and £1 million, which would include hardware, software, education and consultancy services.

14. Following a successful six month project we believe that the NHS should plan over the next six months to instal a further 40 acute unit systems. This could complete the plan for two regions and add a second site in all remaining regions and might include locations in Scotland and Wales. Then in the next six months to plan on a further 70 systems in acute units and to repeat this in the final six months of the two year period thus reaching the target of 200 of the major hospitals.

15. THE NEXT STEPS

We believe that three immediate steps should be taken :

- The two pilot sites at Huddersfield and Newcastle should be funded so that they achieve full implementation without delay.
- A budget should be committed to fund the next phase of 20 acute units and steps taken to ensure there are no administrative inhibitors to meeting the six month timescale.
- An accountable senior manager should be appointed to take executive responsibility for the success of the two year project.

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16. In our experience, the implementation of computer systems for large numbers of end-users needs careful control, particularly when the users are geographically dispersed, or unfamiliar with information technology. Both of these factors apply to the Resource Management project. Decisions made in the early stages of implementation planning will have a major impact on user acceptance and use of the system, as well as on timing and costs.

17. We suggest that among the first tasks of the 'Executive Manager' would be the setting up of his initial management team, including relevant representatives from IBM and from the Huddersfield and Newcastle users. The management team would need initially to

- define the boundaries of the project
- define the Implementation Strategy
- agree with IBM which Districts per Region will be allocated to each phase, including a definition of the project boundaries within each District
- initiate selection of the implementation group for each Health Authority.

18. SUMMARY

In summary, we believe that the determination and the skills exist within the NHS which, together with unique IBM products and assistance from our partners, can deliver effective Resource Management systems across a significant part of the acute hospital sector within two years. What is required to make this happen is clear leadership, committed funding and a dedicated management team working to well defined implementation target dates.

19. The introduction of Resource Management systems needs to build on the current use of Information Technology in the NHS and to reward the existing commitment of the staff. We believe that the approach outlined in this paper can achieve both these objectives and can provide an effective way forward towards early achievement of tangible results and improved performance.

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