ANNEX 2.

Mersey Regional Health Authority

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Our Ref. GRS/PD

Your Ref.

When telephoning or calling please ask for:
Mr. Scaife

5 April 1990

Mr. Ian Whitehead,
Policy Unit,
No.10, Downing Street,
London.

Dear Ian,

I attach as promised a brief paper (in two parts) describing the Mersey Region's approach and progress in implementing 'Working for Patients'.

I hope you find this helpful. I would be happy to discuss if this would assist.

I am copying the paper(s) to Duncan Nichol.

Yours sincerely,

G.R. Scaife
Regional General Manager

'WORKING FOR PATIENTS' IN MERSEY REGION

At 1.4.90

- Draft applications for self governing status produced by all 7 'front running' candidates for self governance. Potential chairmen, non executive members and chief executives identified to lead each trust.

  Two other major acute hospitals pressing vigorously to join the 7 'front running' candidates.

  Secret ballots amongst consultant medical staff in 2 of the 7 'front running' candidates resulted in clear majorities in favour of pressing ahead with the applications.

- 4 commissioning consortia identified to assess health needs and to formulate service contracts on behalf of the 10 DHAs in the Region.

  Potential non-executive chairmen and general managers identified to lead each consortium.

- All 23 remaining District Managed Units producing detailed business plans (due 14.4.90) showing what services (quantity, type and cost) are to be delivered to which DHAs (in Mersey and elsewhere) in 90/91.

- 20 strong candidate GP practices with over 9,000 patients identified (out of 72 expressions of interest) for possible fund holding status.

- 10 DHA organisations under strong pressure to slim down to very small numbers of staff.

- RHQ staff numbers 343 beginning to reduce, albeit slowly.

- Capital assets worth £1,000 or more all valued.

- Medical Audit in evidence in every hospital mostly sponsored by individual enthusiasts.

- All 10 DHAs aware of purchaser-based allocations which are expected to be available to them in 91/92.

By 1.7.90

- 7 to 9 good applications for self governing status ready for Secretary of State and RHA already embarked on requisite formal consultation process.

- Staff seconded by DHAs to work full time in the 4 new commissioning consortia.

- New RHA constituted.

- 20 potential G.P. fund holders beginning to assemble their databases about their use of hospital diagnostic and treatment services in 90/91.

By 1.10.90

- 7 to 9 Self Governing Trusts operating in shadow form and negotiating their detailed service contracts (volume and cost) for 91/92 with the commissioning consortia, DHAs in other Regions and potential G.P. fund holding practices.

- 23 District Managed Units negotiating their detailed service contracts (cost and volume) for 91/92.

- 20 potential G.P. fund holding practices finalizing their applications for fund holding and negotiating their outline practice budgets for 91/92 with providers, and their FPCs (for the prescribing and practice running costs elements).

By 1.1.91

- Outline contracts (cost and volume) for all services in all units (self-governing) and directly managed) in 91/92 under active negotiation between each of the 30 providers, the 4 commissioning consortia in Mersey, DHAs outside the Region and the 20 potential G.P. fund holders.

By 1.4.91

- Clear separation achieved of provider units from commissioning authorities.

- All services delivered to patients in the hospital and community health services (i.e. by the 30 provider units) subject to simple, written, contracts specifying what level and range of services are to be provided at what cost.

- 20 G.P. practices managing their own funds and beginning to exert a positive influence over the type, quantity and quality of services theycommission from hospitals.

- 10 DHAs in receipt of purchaser-based allocations and reliant on 4 strong commissioning consortia to assess health needs and negotiate (and monitor and enforce, if necessary) detailed service contracts with the various providers.

- An RHA serviced by a staff of less than 200 and with a clear programme to reduce staff numbers considerably further within 12 months.

- A continued emphasis throughout the Mersey Region on freeing up the service providers from unnecessary bureaucracy, concentrating all our effort and resources on improving services (quality and quantity) to patients, and concentrating on achieving high quality outcomes rather than fine administrative/bureaucratic processes.

WORKING FOR PATIENTS - MANAGING THE TRANSITION IN MERSEY

Introduction

1. This paper seeks to explain the Mersey approach to managing the implementation of "Working for Patients".

The Context

2. During any period of major organisational change, there is a risk of instability arising from uncertainty. "Working for Patients" has introduced the first major and fundamental reform of the N.H.S. since its creation. It is being introduced at a time when there are also important related changes underway in the primary and community care worlds as a result of the two further White Papers, 'Promoting Better Health' and 'Caring for People'. The degree of uncertainty which this has injected into the health and welfare systems is considerable. At the same time the general political climate is such that there is a tendency in some quarters to try to 'hedge ones bets'. This situation requires careful handling so that it does not degenerate into a state of paralysis and/or chaos.

The Mersey Approach

3. Mersey Region is determined to manage a carefully planned transition to the new order envisaged by "Working for Patients", to minimise the turbulence experienced within the system and that perceived by its clients. This is being achieved in the following ways:-

3.1 The introduction of the reforms is being viewed and presented as a natural progression from the introduction of general management and the many related improved management practices which have been introduced in its wake. Developments such as devolving management responsibility to the lowest possible level, involving clinicians in management, improving standards of service etc. are necessary improvements already underway. "Working for Patients" builds on these and enhances their scope.

3.2 The key players of the new health-care market are already in position, one year in advance of the implementation date. The separation of purchaser and provider roles is a reality. Purchasers and providers have already been in dialogue about planned activity levels for 1990/91. This means that they will get well prepared for the "real" market - the introduction of contract funding from April 1991.

3.3 We are seeking to ensure that contract funding will be simple to introduce, simple to operate, and will not result in increased and unnecessary bureaucracy. The ten District Health Authorities in Mersey Region are being grouped into four purchasing consortia in order to minimise the workload associated with contract funding for both purchasers and providers. By reducing the number of purchasers, we are also reducing the risk of exceeding cash limits during the transition. The consortia give greater scope and flexibility for cash management.

3.4 We do not anticipate that in the first year of the operation of contract funding, there will be significant changes in the volume or range of activity undertaken. We will manage the fledgling health-care market to ensure that this is so. This is not to say that there will be no demonstrable benefits arising from the reforms; but we must ensure that the change which does occur is ordered and will be clearly beneficial to the clients of the service. We therefore expect that the major benefits will be felt by those receiving services provided by N.H.S. Trusts or purchased by G.P. fund holders.

3.5 The process of preparing applications for Trust has led to a much clearer and sharper managerial focus in the units concerned. There is a concentration on standards, quality and service to a degree previously unparalleled. This will be particularly beneficial in those hospitals which provide a service requiring specialist knowledge, skills and techniques. Because of the diversity of their customer base and the resulting relative sophistication of available information, these units will be more prepared to move onto a true trading basis from April 1991, than those units which provide a more general service.

3.6 The arrival of G.P. fund holders will bring a new fresh force to the market which, because there is no tradition of fund holding, will inevitably act in an unpredictable fashion. This will be a powerful tool for raising standards and ensuring the articulation of patient choice. Unpredictability can, of course, be a double-edged sword. We will seek to ensure that fundholders clearly understand the scope of their new responsibilities and opportunities and use them wisely and well.

Conclusion

4. We believe that it is important to recognise and acknowledge that turbulence is an inevitable side effect of major organisational change. This highlights the need for strong and careful management of the transition in order to maximise the benefits arising from the change while at the same time minimising unwelcome side effects. This is the task for Regions over the next 12-24 months. Mersey is fortunate in being a relatively small Region with a successful track record in providing positive leadership to its various constituent parts. We remain confident about our ability to manage successfully the transition to a market-based system of health care delivery.