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PERSONAL

c. Mr. Mount

2

Prime Minister

Some potentially useful material for the Party Conference speech

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522 ext 6981
From the Permanent Secretary
Sir Kenneth Stowe KCB CVO

NHS Management

FERB

6.10

Robin Butler, Esq.,
No. 10 Downing Street,
London SW1

6 October, 1983

My dear Robin.

NHS MANAGEMENT PERFORMANCE

You asked me what was behind the Woodrow Wyatt and Economist articles about comparative costs and performance in NHS hospitals. The short answer is our publication on September 22nd of nationally classified performance indicators (P.I.'s) for NHS hospitals in England and some purposeful briefing thereon - in particular my Secretary of State explained the story to Woodrow Wyatt himself.

... I attach copies of the Press Notice, the national P.I set and, as illustration, a P.I set of the kind that each individual district will have had. You will see that the various tables, opened almost at random, will prompt a host of questions about the reasons for the wide variations in e.g. cost per case in our large general hospitals (pages 106-113) or length of stay in, say, South East Thames Region's general medical service (page 37) which ranges from 17 days to 8.5 days (column 5).

The publication of the P.I's is the result of a major battle fought and won by the Department over the past five years to establish the concept of comparative performance and to build up the data, and system of analysis, for use as a tool of management. The P.I's are intended for the intelligent manager and clinician to use as a means to secure better performance. There will be a learning process to go through. We are making available a floppy disk for computer use which holds all the programmes and data needed to set out the indicators in graphs or histograms.

The issue of P.I's does not of course guarantee its use by management but - as already seen - it opens up a whole new

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source of informal questioning by the public, the press and above all by the 215 Health Authorities, about performance by management.

The P.I's have to be seen in their context. We have now completed the first stage of slimming down the super-structure of the NHS by taking out the Area Authorities. We have established the principle and regular practice of accountable management, based on performance review, from the unit back to the Department. We have insisted on the establishment as a matter of urgency of effective manpower management related to cash limits and development of services, with lower overall manning levels (you will have noticed the recent noises.) We have begun the establishment of value for money audit ... (I append some recent notes I asked my auditors to produce for me showing examples of the potential savings which VFM audits have already identified - N.B the examples relating to use of nurses). And we have now given NHS management, in P.I's, a powerful tool.

Two obvious questions:

i) Why not make much more high profile use of the P.I's? Answer: we want the responsible authorities to put the pressure on. If DHSS had launched into an attack using P.I's we would simply have provoked in part a defensive apathy and in part a suspicion that this was but a passing fad inside the Department. Why? This leads to the second quesion.

ii) Who is going to be responsible then for securing better performance? This is the gap in our management strategy, and we have made ready to fill it. We expect to get Roy Griffiths' report next week. He will be recommending, inter alia,

a) the introduction of the role of general manager accountable to the statutory authorities at all levels in the NHS, up to and including the Department, and

b) the development of management accounting at the unit level (i.e the hospital or part of it) with clinicians taking responsibility for their financial budgets.

It all then falls into place - and (as Griffiths puts it) then it is a long haul for young people to make it work.

Finally a cautionary word. None of this is going to be warmly and unanimously welcomed and we deceive ourselves if we think it can be made acceptable by "presentation". It can only be made acceptable by winning the argument that both the patient and the taxpayer are entitled to a better service out of the NHS than they are getting now.

Yours ever.

Ken.

Department of Health
and Social Security

PRESS RELEASE

Alexander Fleming House
Elephant and Castle
London SE1 6BY

Telephone 01-407 5522

83/181

22 September 1983

FIRST NATIONAL PACKAGE OF PERFORMANCE INDICATORS FOR THE NHS

The first national package of performance indicators for the National Health Service was issued to all regional and district health authorities today (Thursday). The indicators - which enable health service managers to compare their local performance with other health districts and with the country as a whole - cover clinical activity, finance, manpower and estate management.

John Patten, Parliamentary Secretary for Health, said today:

"The Government is determined to improve NHS management continually. It is crucial to make sure that money is being used as efficiently as possible at a time of record NHS spending. Performance indicators have a vital role to play in this process.

"This package gives local managers, for the first time, the facility to compare local performance with what is happening elsewhere in the NHS. Performance Indicators help illuminate local activity and use of resources, and will enable people to spotlight aspects of their services which warrant investigation. It is important that they approach their investigations with an open mind. They may find that what appear to be relatively high costs are explained by even higher levels of activity. On the other hand, they may find that there is real room for improvement, enabling them to redeploy resources and thus improve the quality and quantity of patient care in other services.

"So Performance Indicators will not give them answers, but they will certainly help them to pose questions. In carrying out their investigations managers will have to work very closely with those who provide the services under scrutiny - the doctors, nurses and other professional staff.

"Over the next two years we aim to improve the scope of the package so as to provide the NHS with an even more useful management tool."

The performance indicators package is in 15 parts. A national book sets out all the data for all the districts in the country. A booklet for each region sets out the data for all districts in the region and includes graphical presentations of much of the information for the region. Each part contains definitions of the data and the sources, and a guide to users.

The guide stresses the need to compare like with like. Where possible the information in the package takes account of differences between districts, for example in the allocation of beds among the various clinical specialties. But it cannot allow for differences in the kinds of patients treated or for other special local features.

NOTE FOR EDITORS

Performance Indicators have been developed over the last two years, including a period of development with the co-operation of the Northern region, and they were tested in use in the last seven of the Regional Reviews in 1982. Now, after further development, they are being published for the whole country. They are being issued to all district health authorities, who are expected to carry out investigations where the indicators suggest that this is needed.

A joint DHSS/NHS Group has been established to develop Performance Indicators further. They will concentrate initially on improving the present package and making it more comprehensive.

Copies of the national summary and the 14 regional booklets can be obtained from DHSS Leaflets, PO Box 21, Stanmore, Middlesex HA7 1AY at £14 national summary and £6.50 each regional booklet.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

To: Regional Health Authorities, District Health Authorities — for action

Special Health Authorities for the London Postgraduate Teaching Hospitals, Boards of Governors, Family Practitioner Committees, Community Health Councils — for information

September 1983

HEALTH SERVICES MANAGEMENT

PERFORMANCE INDICATORS

SUMMARY

This Notice encloses Performance Indicators (PIs) based on data for 1981, sets out arrangements for their use by health authorities and asks for feed-back on the use made of PIs.

BACKGROUND

1. Performance Indicators covering clinical activity, finance, manpower and estate management functions, have been developed over the past 2 years, including a period of collaboration with Northern Region, to make available to local management comparative statistics about activity and the use of resources at District level, as an aid to the assessment of performance. The PIs are not comprehensive but they cover a range of functions which most Districts might be expected to provide.

2. A first set of PIs was introduced in 1982 on an experimental basis and their applicability was tested in the final 7 Regional Reviews in that year. The broad reaction from health authorities was that PIs were welcome as a useful management tool but that they needed further development. The PIs were refined in the light of comments from the NHS and elsewhere and in January a revised list of indicators was announced. The package of PI data enclosed with this Health Notice is based on that list. It relies, in the main, on statistical information which is submitted routinely to the Department.

3. To carry the initiative forward, the Secretary of State has appointed a Joint NHS/DHSS Group on Performance Indicators (JGPI) to advise on the future development, publication and use of PIs, and to report back to him. In carrying out their task, the JGPI will liaise as appropriate with the Steering Group on Health Services Information.

THE PACKAGE

4. Enclosed with this Circular for all authorities in each region is a booklet containing the following:

i. A User's Guide explaining the basic principles and giving hints on interpretation of PIs;

ii. All PI data for each District in the Region ranked within the national perspective together with a selection of graphical presentations of the data; and

iii. Appendices providing data sources and definitions.

A national summary containing all the PI data for every District in England, plus the User's Guide and Appendices is available to health authorities on request, and to others as a priced document. This is a much larger package and so one reference copy has been sent to each Region. Some data are ranked for the country as a whole, and the summary facilitates comparison of performance in any district with that in any other district in England.

USE OF PERFORMANCE INDICATORS

5. PIs supplement the management information already available and in use in Districts, and are intended to give further help to health authorities and their managers in identifying aspects of the services which warrant investigation. They are experimental and although some account is taken of the specialty mix no account is taken of case mix within specialties nor of many other features of health services, so the ranking of the data does not of itself allow judgements as to whether services are good, bad, efficient, inefficient etc. There are no indicators as yet which measure the quality or outcome of service provided; the JGPI will be considering the feasibility of developing such indicators. The User's Guide makes it clear that PIs may help formulate questions but that investigation is necessary before decisions can be taken whether there should be change, whether corrective action is necessary, or what targets might be set. The responsibility for ensuring that investigations are initiated and carried through to their conclusion rests with District Health Authorities. Before preparing reports for DHAs, district teams may wish to seek, via the RTO, support from Regional professional staff in the analytical disciplines in their initial interpretation of PIs.

6. Regional Health Authorities are responsible for ensuring that DHAs make arrangements for reviewing performance and for securing improvements where appropriate, in line with Regional and national guidelines on priorities where these have a bearing.

COMPUTER FACILITIES

7. The Department has developed a suite of computer programs which can be used to display graphically and analyse selected items of performance indicator data. Examples of some of the displays are included in the PI booklet. At present the programs analyse clinical and manpower PIs. Copies of these programs and all national 1981 data used for the indicators, together with simple documentation, are available free of charge for use by health authorities. Appendix A to this circular gives details of the service available and incorporates an application form.

8. Programs for estate management PIs will also be available to Districts as part of the WIMS system.

TRAINING

9. Regions may wish to organise seminars on the use of PIs. Departmental staff currently working on Performance Indicators will be available to participate in a limited number of such seminars.

FEEDBACK

10. The Joint Group (JGPI) mentioned above would welcome health authorities' comments based on their experience of testing PIs in use, which would help the JGPI in their task of developing PIs further. Comments and suggestions should be sent to the Secretary, Mr Malcolm Jefferies, Room 1406 Euston Tower, as soon as is practicable and ideally no later than 31 March 1984.

FUTURE PUBLICATIONS

11. The Department is now working on an integrated data set to allow the speedy and accurate production of PIs. This will reduce significantly the heavy workload and the costs incurred in the Department and in Regional Health Authorities in producing and validating this year's package, and will facilitate earlier issue of 1983 data in 1985 based on the JGPI's proposals. The JGPI has recommended and Ministers have agreed that PIs based on 1982 data should not be published in 1984. This decision means that in 1984 Health Authorities will need to compare their data for 1982 with those included in this publication, to take note of shifts over the year and to investigate where appropriate.

ACTION

12. District Health Authorities should set in train studies of PIs and other management information with a view to identifying aspects of their services to be investigated; and should arrange for investigations and to receive reports. Copies of the Regional booklet are enclosed for the District Chairman, and each member of the District Management Team. RHAs should consider the arrangements in districts for reviewing performance, and liaise with districts on any analytical support to be provided. One copy of the national booklet is enclosed as a reference copy for Regions; copies of the Regional booklet are enclosed for the Regional Chairman and each member of the Regional Team of Officers. Copies of the appropriate regional booklet(s) are enclosed for the post-graduate Special Health Authorities and Boards of Governors, and for Community Health Councils.

From:

Regional Liaison Division 2E
DHSS
Euston Tower
286 Euston Road
LONDON NW1 3DN

Tel. 01-388 1188 Ext 984

P1/5/15

Enquiries to Mr G Powner

Further copies of this Circular and booklet may be obtained for NHS use from DHSS Store, Health Publications Unit, No 2 Site, Manchester Road, Heywood, Lancs OL10 2PZ quoting serial number appearing at top of right-hand corner. Copies of the national booklet are also available from that address.

PERFORMANCE INDICATORS (1983): COMPUTER SOFTWARE

1. The Department has developed a suite of computer programs which can be used to display and analyse selected items of performance indicator data. At present programs are available to analyse clinical and manpower PIs. Copies of these programs and all national (1981) data used for these indicators, together with simple documentation are available for use by Health Authorities. For copyright reasons these programs are available only to the NHS. The programs will be supplied in compiled Microsoft BASIC and are ready to run on most microcomputers which employ the standard CP/M operating system and have at least 64K bytes of RAM.

2. Please note copies of these programs can be supplied only on receipt from authorities of a blank 8" single-sided, single density (IBM standard format) floppy disk for each request made. No other floppy disk is suitable, and two floppy disks should be sent if both clinical activity and manpower programs are required. Disks should be sent in a suitably protective envelope.

3. The disks contain a simple program which can be used to configure the main analysis programs to run on various computers and/or terminals. The Department is, however, not able to offer advice on the suitability of particular equipment for running the programs. People who would like to avail themselves of copies but are unsure about the suitability of these disks for their computers should consult the Regional Computer Services Officer.

4. If you are interested in obtaining and using the programs please complete the attached form and send it together with your blank disks(s) to the address shown.

OUR REF: PI/5/3

To: Miss D Capaldi
DHSS
Room 1407, Euston Tower
286 Euston Road
LONDON NW1 3DN

1. Please forward a copy of the Department's programs for analysing the data for clinical activity/and/-manpower* performance indicators used in 1983.

2. I enclose one/two* 8" single sided, single density floppy disk(s).

3. I understand that all the material on the disk(s) is either Crown copyright or copyrighted by Microsoft Corporation and undertake not to supply the data and programs outside the NHS or to take any more than one back-up copy of the disk(s).

4. Please return the disk(s) to:

Name and title:

Health Authority

Address:

Signed: _____

Position: _____

* Delete as applicable.

NB The Department cannot accept responsibility for loss or damage to the floppy disk(s).

SAVINGS ARISING FROM AUDIT VALUE FOR MONEY EXERCISES

1. Catering Services

A saving of £100,000 per annum has been made by one authority as a result of a review of catering services following an audit report. The main avenues for savings were shown to be:

a. stricter budgetary control based on need rather than automatic increases;

b. re-assessment of patient feeding requirements with menu reductions, especially cooked items;

c. tighter control of raw ingredient issues to kitchen using sophisticated aids (DHSS Catering Division micro-computer etc).

2. Cleaning

Following discussions with chief officers about the control of incentive bonus schemes and overtime an authority decided to reduce the frequency of cleaning at a large teaching hospital thereby saving £60,000 in the part year 1982/83 with recurring savings of £160,000 in each subsequent year.

3. Stores Organisation

At one Authority, served by eight general stores, the cost of the salaries and wages of stores staff and heating was £178,000 in 1981/82. A review of the organisation of the stores revealed that savings in excess of £80,000 per annum and greater operational efficiency would result from a rationalisation of these stores. The savings result from a reduction of staff and heating costs and further savings would be generated by reduced stock holdings and greater operational efficiency.

4. Purchase and Hire of Stores and Equipment

i. Failure to use nationally or regionally negotiated contracts had resulted in excess expenditure of £22,600 per annum. Further savings are possible by the negotiation of local contracts in the absence of national or regional contracts.

ii. A review of the arrangements for control of equipment on hire could produce significant savings eg at one authority eight incubators on hire had been held in store for 18 months at a cost of £11,000. Further savings could accrue from the purchase rather than long term hire of medical equipment such as incubators (possible saving £600 per annum per incubator), hospital beds and oxymist tents.

5. Staff Dining Rooms

The closure of a second dining room resulted in a recurring saving of £34,850 per annum. The two dining rooms were situated on one site and were within 10 minutes walk of each other.

6. Cessation of Farm Trading Activities

For several years audit drew attention in discussion with Chief Officers to trading losses incurred at a Hospital Farm and recommended that serious consideration should be given to the cessation of all farming activity. As a result the farm has now closed with consequent recurring revenue savings in excess of £20,000 per annum plus a capital saving of £275,000 from the sale of the land.

7. Control of Provisions Expenditure

As a result of improved portion control and the production of priced dishes for inclusion in staff menus savings of £45,000 have been achieved.

8. Rationalisation of Laundry Services

i. A large efficient hospital laundry was under-utilised (working at only two thirds capacity) while at the same time other hospitals within the Authority were sending their linen etc to:

a. a commercial firm.

b. a smaller inefficient hospital laundry. (Highest costs in the Region).

ii. As a result of Audit Report the Authority:

a. did not renew the contract with the commercial firm, transferring the linen etc the the under-utilised hospital laundry.

b. have under consideration the closure of the smaller inefficient laundry but meanwhile have reduced costs considerably.

iii. Estimated saving overall is £100,000 per annum.

9. Central Sterile Supply Departments

Following an audit report, which questioned the economic viability of a Parfusion Fluids Factory, a review of CSSD supplies throughout the region was undertaken as a result of which it was decided to utilise spare capacity to produce dressing and Intra-uterine device packs instead of purchasing them resulting in an annual recurring saving, as calculated by the Authority, of £45,000.

10. Stores Purchasing

An audit review of procedures in the supplies department revealed serious deficiencies in internal financial control one of which was the failure to obtain competitive quotations on tenders for the supply of a number of commodities resulting in higher prices being paid than market level. Competitive quotations or tenders are now being obtained and the recurring savings identified are £40,000 per annum.

11. Nursing Staff Services

i. An audit review of nursing shift arrangements in a large acute hospital revealed that the duty rotas in operation provided for an overlap of $3\frac{3}{4}$ hours from 13.00 to 16.45 hours. Based on the audit test period the annual cost of this overlap was nearly £700,000. The Authority's officers, recognising the potential for savings, have set up a working party to review the existing rotas.

ii. At the same hospital four 28 bedded post-natal wards were staffed when the occupancy level indicated that three would be sufficient to meet demand. The Authority have now closed one ward at an agreed saving of over £200,000 per annum.

12. Operating Theatre Staff

A review of theatre utilisation and associated nursing and other staffing resulted in a reduction of eight WTE Operating Department Assistants with a consequent saving of £50,000 per annum.

13. Nursing Staff

A detailed study of nursing organisation and management was undertaken by audit and the results were used to demonstrate that the number of additional staff required to re-open a geriatric ward could be reduced. The projected savings on nursing staff costs agreed after discussion with the authority's officers amounted to £115,000 per annum.

14. Nursing - Midwifery Staff

An audit review of nurse staffing levels in a maternity unit indicated that there was an adequate level of staff for the workload involved when compared with like units. At the time of the audit discussion with the DA, DT and DNO there was an application before the DMT for the appointment of 12 additional midwives, but in the light of the audit findings it was agreed that:-

i. the overall establishment of the unit did not need to be increased, and

ii. the mix of nursing staff was unsuitable and 12 SRNs already in post would be trained as midwives.

The net financial saving from this decision was calculated by the authority to be £85,000 per annum.